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INDEPENDENT EVALUATION OF THE RELEVANCE AND EFFECTIVENESS OF THE GREEN CLIMATE FUND'S INVESTMENTS IN SMALL ISLAND DEVELOPING STATES

Final Report

October 2020

GREEN CLIMATE FUND
INDEPENDENT EVALUATION UNIT

Independent Evaluation of the Relevance and
Effectiveness of the Green Climate Fund's
Investments in Small Island Developing States

FINAL REPORT

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FOREWORD



*“The land is the chief; man is its servant”
He alii ka aina; he kauwa ke kanaka*

I grew up in Tonga, in the vastness of the Pacific. Growing up an islander instils deep respect for our lands and our oceans. It instils *Malama*, meaning taking care, protecting. Our elders and those before them knew that we need to care for our lands and oceans because, in turn, they will care for us.

Islanders, indeed, were among the first peoples to raise the alarm on the impending climate threat as far back as 1990, resulting in the 1994 Barbados Conference. Three decades ago!

As noted elsewhere in these pages, the landmass of many small island developing States (SIDS) are barely above sea level. For too many islanders, extreme flooding, increasing hurricanes and the loss of lands salinated by the sea are now daily reality.

Climate change is not fiction but fact. And it knows no boundaries. SIDS have hardly contributed to global emissions, and yet they bear among its heaviest consequences.

Many see SIDS as slices of heaven, with blue skies, blue oceans, and warm and friendly people. Yet SIDS are vulnerable habitats of fragile biodiversity; small lands surrounded by large oceans. They are geographically isolated with limited opportunities for economic diversification and small private sectors.

The set of challenges to be managed by these small governments is very big indeed.

But being an islander also means being strong. Being an islander means being resilient. Being an islander means knowing you need to live in harmony with nature, lest it turns against you.

Disaster preparedness, disaster management, mitigation, resilience building, and loss and damage compensation have long been on the agenda of SIDS’ governments. They have long been a key feature of the local communities’ responses.

Yet, with all this determination, with all the bravery shown, SIDS now need fast, adequate and tailored support to fight the climate threat.

The time for action was yesterday! Since the first Rio Conference in 1992 we have let almost three decades slip by. We cannot now wait until 2050, when the Paris Accord will hopefully be achieved. We cannot wait until 2030, when global temperatures are projected to have increased by 1.5°C. We cannot even wait for 2021, when the Conference of the Parties may or may not resume.

The time for action was yesterday.

This is why it is very timely that the Independent Evaluation Unit (IEU) has examined closely if the Green Climate Fund (GCF) is fit-for-purpose to support climate actions in SIDS. Because of the urgency of the situation it is time for us all to ask ourselves a key question: **Could the current approach be improved, and if so, how?**

I thank the IEU and the GCF for dedicating time and resources to produce this important document, and I hope for accelerated implementation of the findings. In doing so, the Fund will contribute significantly to more effective, sustainable and impactful assistance to island states in their unwavering commitment to fight the climate change war.

I also hope that the report marks a turning point in how SIDS and the GCF collaborate.

Let this report – and *Malama* – guide us to take care of and protect our lands so they will care for us, our children and generations to come.

Thank you.

Fekitamoeloa Katoa ‘Utoikamanu

High Representative for the United Nations Least Developed Countries, Landlocked Developing Countries and Small Island Developing States

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The independent evaluation of the relevance and effectiveness of Green Climate Fund investments in small island developing States (SIDS) is an ambitious study. Not only was it undertaken in a short time by the Independent Evaluation Unit (IEU), but it was also completed under the severe constraints of a pandemic. After the evaluation was launched, every plan and method had to be reconsidered and adapted to meet the demands of Covid-19. Despite the challenging circumstances, our small team was able to complete the report. However, this would not have been possible without the support of numerous colleagues.

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Whenever the IEU conducts an evaluation, it establishes an advisory panel to ensure its work produces rigorously analysed and tested, high-quality results. For this evaluation, the advisory panel of Dr. Geeta Batra, Ms. Miwa Kato, Dr. Alexandre Magnan and Ms. Fekitamoeloa Katoa 'Utoikamanu provided rich and iterative input. All of them supported the IEU during exceptionally challenging global circumstances, and for this we are grateful.

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The IEU recognizes that its evaluation reports are distributed to a wide range of stakeholders with different objectives and time frames for reading them.

The IEU makes the following suggestions on how you might read this independent evaluation of the relevance and effectiveness of Green Climate Fund investments in small island developing States:

- If you have **15** minutes: Please read the Executive Summary.
- If you have **30** minutes: The Executive Summary, chapter II and chapter VIII.
- If you have **60** minutes: The Executive Summary, the key findings and recommendations of chapters II–VII and chapter VIII in full.
- If you have **two hours**, read the full report and annexes.

ABBREVIATIONS

ACP	African, Caribbean and Pacific
ADB	Asian Development Bank
AE	Accredited Entity
AfDB	African Development Bank
AIS	Atlantic, Indian Ocean and South China Sea
AOSIS	Alliance of Small Island Developing States
APR	Annual Performance Reports
BOAD	West African Development Bank
CABEI	Central American Bank for Economic Integration
CARICOM	Caribbean Community
CCCCC	Caribbean Community Climate Change Centre
CDB	Caribbean Development Bank
CIF	Climate Investment Funds
CN	Concept note
COA	Country Ownership Approach
COP	Conference of the Parties
CROP	Council of Regional Organisations in the Pacific
CSO	Civil Society Organization
DAE	Direct Access Entity
DCP	Division of Country Programming
DMA	Division of Mitigation and Adaptation
EDA	Enhanced Direct Access
EIB	European Investment Bank
ESS	Environmental and Social Safeguards
FAA	Funded Activity Agreement
FAO	Food and Agriculture Organization
FDB	Fiji Development Bank
FPR	Forward-looking Performance Review
FSM	Federated States of Micronesia
GCF	Green Climate Fund
GEF	Global Environment Facility
GHG	Greenhouse Gas
GI	Governing Instrument
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>
GNI	Gross National Income
IAE	International Accredited Entity
IBRD	International Bank for Reconstruction and Development

IDA	International Development Association
IDB	Inter-American Development Bank
IED	Independent Evaluation Department
IEG	Independent Evaluation Group
IEO	Independent Evaluation Office
IEU	Independent Evaluation Unit
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIC	Inter-American Investment Corporation
IPCC	Intergovernmental Panel on Climate Change
iTAP	Independent Technical Advisory Panel
LDC	Least Developed Countries
MDB	Multilateral Development Bank
MFEM	Ministry of Finance and Economic Management [Cook Islands]
MSME	Micro-, small- and medium-sized enterprise
NAP	National Adaptation Plan
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NGO	Non-Governmental Organization
NIE	National Implementing Entity
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of the Eastern Caribbean States
ORMC	Office of Risk Management and Compliance
PAP	Project Approval Process
PPCR	Pilot Programme for Climate Resilience
PPF	Project Preparation Facility
PSAA	Project-Specific Accreditation Approach
PSAG	Private Sector Advisory Group
PSF	Private Sector Facility
PSO	Private Sector Organization
PSOD	Private Sector Operations Department
REDD	Reducing Emissions from Deforestation and Forest Degradation
RfP	Request for Proposals
RMI	Republic of the Marshall Islands
RPSP	Readiness and Preparatory Support Programme
SAMOA	SIDS Accelerated Modalities of Action
SAP	Simplified Approval Process
SDG	Sustainable Development Goal
SGP	Small Grants Programme

SIDS	Small Island Developing States
SIEs	Small Island Economies
SMEs	Small and medium-sized enterprises
SPC	Secretariat of the Pacific Community
SPREP	Secretariat of the Pacific Regional Environment Programme
SREP	Scaling Up Renewable Energy in Low Income Countries Program
STAR	System for Transparent Allocation of Resources
TA	Technical Assistance
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USAID	United States Agency for International Development
WHO	World Health Organization
WIM	Warsaw International Mechanism

EXECUTIVE SUMMARY

A. INTRODUCTION

1. MANDATE

This evaluation was approved by the Board of the Green Climate Fund (GCF) at its twenty-fourth meeting, through decision B.24/06 and as part of the Independent Evaluation Unit's (IEU) 2020 Work Plan. The evaluation focuses on small island developing States (SIDS), some of which are least developed countries (LDCs), African States or both. This evaluation is part of a concerted effort by the IEU to examine the relevance and effectiveness of the GCF's strategy and investments in countries most vulnerable to the effects of climate change.

2. CONTEXT: SIDS AND THE GCF

SIDS are exceptionally diverse. Yet, **SIDS are highly vulnerable to the effects of climate change**¹ due to geophysical constraints and their small size, geographic dispersion, susceptibility to natural disasters, heavy reliance on imported fossil fuels, limited private sector opportunities, weak institutions and fragile ecosystems.² Consequently, SIDS face numerous climate impacts, including rising temperatures, changing precipitation patterns, flooding, drought, reduced availability of freshwater resources, sea level rise and coral reef decline. Most SIDS expect to face food and water insecurity as water becomes scarcer, ocean and land food resources continue to degrade, populations continue to grow, and energy and food prices increase.³ These vulnerabilities are being exacerbated by the current COVID-19 crisis, as SIDS' economies are especially sensitive to global economic shocks.

In the context of climate finance, SIDS have repeatedly called for prioritized international support for adaptation and mitigation activities and have echoed the importance of climate aid as key to their overall development.

3. SCOPE AND METHODS

Scope: This evaluation serves both learning and accountability functions. It was structured around four key themes related to (1) the relevance of the GCF business model to the needs and urgency of climate action in SIDS; (2) the relevance of the GCF portfolio to the needs and urgency of climate action in SIDS; (3) the effectiveness of the GCF in delivering results through the implementation of GCF-funded projects and programmes; and (4) the complementarity and coherence of GCF activities with other climate finance delivery channels. The themes of private sector engagement and innovation in SIDS received special attention as cross-cutting themes in this evaluation.

Methodology: The evaluation team used a mixed methods approach, employing both qualitative and quantitative data and methods to inform the report's evidence-based findings, conclusions and recommendations. Specific data sources and methods included an extensive document and literature review, portfolio analysis of data collected by the IEU DataLab,⁴ key informant interviews, an online survey administered to key stakeholder groups, a tool for AEs to self-assess innovations in their GCF-funded projects, a benchmarking and meta-analysis exercise, six purposively selected country case studies, and synthesis of the eight SIDS case studies from the IEU's recent evaluations.

¹ Nurse et al, 2014; Oppenheimer et al., 2019.

² UNFCCC, 2005; Nurse et al, 2014.

³ IPCC, 2018a.

⁴ The IEU DataLab consists of a team of IEU personnel dedicated to collecting and processing quantitative and qualitative information about the GCF.

Limitations: This evaluation was launched at the end of February 2020, when the COVID-19 pandemic was reaching its peak in South Korea and starting to take hold in many other countries around the world. As a result, the country case studies and nearly all interviews for this evaluation were undertaken remotely. The evaluation was also limited by the early maturity of GCF-funded projects in SIDS and general limitations of mixed methods related to generalizability.

It is important to clarify that this is a sub-portfolio evaluation. The findings and recommendations are relevant to SIDS, but they do not prejudice other vulnerable countries, including the LDCs and African States. Indeed, many findings may be considered generally valid for other sub-portfolios of the GCF and will be explored in subsequent evaluations approved by the GCF Board.

B. KEY FINDINGS

1. FACTORS FOR EFFECTIVE CLIMATE FINANCE IN SIDS

The evaluation team identified **five factors that are critical to considering climate finance for SIDS** and that provided an important framing for the evaluation. These factors emerged from the literature review of about 30 papers from the peer-reviewed and grey literature on climate interventions in SIDS, a meta-analysis of other international and regional organizations' approaches in SIDS, and extensive interviews with experts, practitioners and stakeholders conducted for this evaluation. These factors are urgency of climate action, the importance of adaptation, capacity constraints, high transaction/operational costs and the need for flexibility.

2. RELEVANCE OF GCF GUIDANCE, FRAMEWORKS AND POLICIES FOR SIDS

Flexibility of policies. The evaluation team found that discussions on GCF policies and frameworks make specific mention of the consideration of SIDS and refer to capacity needs. Flexibility is less frequently mentioned and is required in the interpretation and application of GCF policies to account for the specific circumstances of SIDS. However, the absence of guidance on what flexibility means in practice translates into a risk of misinterpretation or misapplication.

Relevance of policies. Lack of Board-approved policies on critical issues is also reported to have inhibited project development in SIDS. Half of the policies that are of most concern and interest to SIDS – including incremental costs, concessionality, co-financing and programmatic approach – are yet to be approved by the Board. In particular, lack of clear policy guidance on the programmatic approach is holding back AEs from developing such programmes for SIDS.

Responsiveness to Conference of the Parties (COP) guidance. The GCF has responded to SIDS-specific COP guidance – which relates in particular to private sector engagement, simplified and efficient access, and readiness and accreditation – but the outcomes of those actions have only been partially effective. Further engagement is also needed around the topic of the GCF's role in financing activities related to loss and damage, which is of keen interest to SIDS.

3. ACCREDITATION AND ACCESS FOR SIDS

National access. Access to national direct access entities (DAEs) is extremely limited in SIDS. Just 4 of 40 SIDS have a national DAE. Less than half of SIDS – and only a third of LDC SIDS – have nominated a national DAE. National entities nominated in SIDS have struggled to prepare and submit accreditation applications due to insufficient human resource capacity.

Regional access. Regional DAEs cover most SIDS and are often the preferred AEs for SIDS. However, many regional DAEs are overwhelmed with requests for both Readiness and Preparatory Support Programme (RPSP) and pipeline development relative to their staff capacity. Some regional DAEs work with up to 14 GCF-eligible SIDS yet have fewer than five staff members. In addition, SIDS face the limitations of regional DAEs' accreditation statuses. For example, no regional DAE in the Pacific is accredited for on-lending.

International access. International accredited entities (IAEs) are seen by some as an option to support immediate access to GCF finance while SIDS develop capacity for direct access. But staff from many IAEs report being disincentivized by what they perceive as high transaction costs when working with the GCF to pursue the small-sized projects often associated with SIDS. Some respondents from NDAs mentioned difficulties in finding an IAE willing to carry forward a national priority project.

Capacity as a barrier to access. While the accreditation process is perceived as too long, it is not the chief challenge SIDS face in accessing the GCF; instead, it is a lack of capacity to prepare GCF funding proposals.

The RPSP is not currently systematically and efficiently bridging the gap between the capacities strengthened through accreditation and the capacities needed to prepare and implement a GCF-funded project. DAEs in SIDS are experiencing long gaps between Board accreditation and the approval of post-accreditation RPSP support. Regional DAEs in the Pacific also report challenges in accessing RPSP support to build their capacity.

4. THE GCF'S PORTFOLIO IN SIDS

The Governing Instrument (GI) of the GCF recognizes the urgency and seriousness of climate change and provides that the Fund will consider the needs of particularly vulnerable countries.

SIDS approved portfolio. Since the launch of the GCF, the Board has approved 29 projects that include SIDS, for a total of USD 818 million. This represents a reasonable proportion of total approved finance, in consideration of per capita representation. However, substantially less co-finance has been catalysed for SIDS compared to non-SIDS. Ten SIDS do not yet have projects with the GCF.

Adaptation finance. More than half of GCF resources approved for SIDS are for adaptation projects, consistent with the guidance in the GI. SIDS have received considerably more of their GCF and co-financing via grants compared to non-SIDS, which is suitable considering the current adaptation focus as well as SIDS' vulnerability and debt sustainability issues. However, innovative and flexible approaches in financing, including guarantees and other non-debt financial instruments, are key but not yet employed by SIDS. This is considered a missed opportunity.

Processes and modalities. The GCF's project approval processes (PAP), including the simplified approval process (SAP), are widely perceived as too long to be considered responsive to the urgency of climate change in SIDS. The SAP is highly relevant for SIDS but not yet sufficiently simplified to accelerate climate action. The request for proposal (RfP) programmes have been ineffective in generating funding proposal pipelines in SIDS, although the RfP on enhanced direct access is seen as having good potential to support the kind of local adaptation that is relevant and effective in SIDS.

RPSP support for country and entity work programmes was found to have limited effect on the development of a robust GCF pipeline in SIDS. The Project Preparation Facility (PPF) was seen as an important tool to advance SIDS' project concepts through the funding proposal stage, but

feedback has been mixed on its efficiency and accessibility. Overall, SIDS have been underrepresented throughout the stages of pipeline development, with only 12 per cent of the funding proposal pipeline.

Key challenges to meet SIDS' needs urgently. Lack of capacity to develop concept notes and funding proposals to the GCF standard is the greatest challenge SIDS face in receiving GCF finance. SIDS appreciate and access GCF support for concept note development under RPSP 2.0. However, the Secretariat's short-term technical assistance for this is not regarded as sufficiently hands-on for SIDS. Further, the typical RPSP delivery partner model of training workshops does not build sustainable or sufficient capacity for developing concept notes. SIDS require not only technical assistance but also support to address human capacity constraints.

An additional major concern for SIDS regarding GCF project development is the separation of climate change from development activities. Many SIDS lack the historical local or national climatological data necessary to substantiate claims that GCF investments are required for adaptation.

5. EFFECTIVENESS OF THE GCF'S INTERVENTIONS IN SIDS

Addressing climate needs. The GCF's investments in SIDS support key climate-related needs for water management, energy, infrastructure and climate information services, and are well aligned with national priorities. The current GCF SIDS portfolio, however, does not contribute significantly to other nationally determined contributions (NDCs) priorities, such as food security, fisheries, ecosystems protection and transportation, although these are prioritized needs in NDCs.

Challenges in implementation. Among projects under implementation, challenges to achieving results largely relate to procurement (e.g. recruiting issues, transportation, high costs). This also reflects the early stage of the SIDS portfolio, with most projects only in their first year of implementation.

Multi-country projects. SIDS' stakeholders have expressed concerns about GCF multi-country projects, particularly regarding the breadth and depth of results for local communities and the country drivenness. Programmatic approaches are seen to have the potential to overcome these issues by bringing larger volumes of funding to individual countries in a multi-country programme. However, given the potential for high transaction/operational costs at country and entity level, AEs and SIDS are not confident in pursuing them with the GCF until such risks are accounted for in projects.

Innovation. SIDS' project designs do not sufficiently pursue inventive solutions for dealing with politically challenging policy environments and require more clarity on different innovative approaches pertinent to SIDS (e.g. business models and financial instruments). Project designers in SIDS are unclear about how the GCF interprets and guides innovation. Traditional knowledge is identified as a potential source of innovation. However, social capital, including traditional knowledge and social networks, is not sufficiently integrated as non-monetary activity in climate action.

Complementarity and coherence. Because the GCF has larger funding allocations than other climate funds, stakeholders perceive the GCF as best positioned to upscale successful smaller climate action that has been financed by other delivery channels. Opportunities have been identified for this in SIDS, but few have been developed and approved. The lack of "fast-track" processes to capitalize on such opportunities is seen as a constraint that SAP has not overcome.

The absence of coordination between climate funds, as well as other multilateral partners, has negatively impacted SIDS with small government administrations and many donor partners struggling to adopt and comply with the many and varied standards and procedures each climate finance delivery channel requires. Among other burdens, having to manage multiple donors increases costs by having to employ dedicated staff – often international staff – to manage each donor's compliance regime, among which, the GCF's is often cited as the most complex.

6. THE GCF AND THE PRIVATE SECTOR IN SIDS

Relevance to the private sector in SIDS. Many interviewees noted that the Private Sector Facility's (PSF) conception of the private sector bears no resemblance to the micro-scale, low-capital base and low capacity for risk most common among national businesses in SIDS. And while the PSF aligns with the objective to leverage private finance to realize the scale of climate ambitions, interviewees emphasized the importance of supporting the climate resilience aspects of the private sector in SIDS. The GCF lacks a common understanding of and context-sensitive strategy for the private sector.

Stage and extent of engagement. GCF support for private sector engagement in SIDS is in its early stages. There is a significant maturity gap between the type of RPSF support currently being provided for the private sector in SIDS and the development of actual projects, with the majority of RPSF support limited to being directed at private sector consultations, awareness building and general scoping.

Support for the private sector in SIDS through the PSF has been extremely limited and is provided through loans and grants exclusively. Limiting factors include the lack of institutional incentives and strategy, challenges finding interested AEs, and general barriers to private sector development in SIDS that may be beyond the GCF's remit.

GCF-funded projects in SIDS have raised significantly less private sector co-finance than in non-SIDS – just USD 18 million in SIDS, compared to over USD 3 billion among non-SIDS.

Supporting private sector resilience in SIDS through the Division of Mitigation and Adaptation (DMA). Despite the PSF's limited portfolio, the evaluation team identified sizeable engagement by the private sector in SIDS through the DMA portfolio, with the potential to help improve the resilience of local private sector actors in these countries. There is currently little coordination between the programming activities of the GCF Secretariat, PSF, DMA and Division of Country Programming (DCP).

C. KEY CONCLUSIONS

The findings led to the following conclusions.

CONCLUSION 1: SIDS need support to address the impacts of climate change urgently. The GCF's modalities and processes are not yet sufficiently effective to address the specific challenges of climate change in SIDS and the urgency for climate action. The SAP and the RfP for enhanced direct access are two modalities that, along with programmatic approach, have considerable potential to deliver climate results at scale in a country-driven approach and to accelerate investment in SIDS.

CONCLUSION 2: The current GCF model for accreditation and access is disadvantaging those SIDS with low capacity, experience or confidence in directly accessing the GCF.

CONCLUSION 3: The most significant barrier that SIDS face in accessing the GCF is a lack of capacity to develop concept notes and funding proposals to the GCF standard. The RPSP and PPF are helping to address this, but approaches are not sufficiently tailored to the human resource limitations in SIDS.

CONCLUSION 4: GCF finance in SIDS has appropriately focused on grant-funded adaptation, although it is premature to assess the extent to which the GCF SIDS portfolio is achieving intended results. There is space for funding more innovation related to financial structures and instruments.

CONCLUSION 5: The GCF's approach to the private sector in SIDS is not sufficiently articulated or coordinated. Despite a very limited PSF portfolio, however, there has been sizeable engagement to improve the resilience of local private sector actors in SIDS through the DMA portfolio.

CONCLUSION 6: The GCF policy landscape has flexibility to accommodate the circumstances of SIDS, but certain policy and governance issues that are important to SIDS require further Board discussion and decisions.

D. KEY RECOMMENDATIONS

The evaluation makes four major evidence-based recommendations to the GCF Board and Secretariat.

RECOMMENDATION 1. Make improvements to RPSP support to improve direct access and address the capacity difficulties that SIDS are facing. GCF-funded capacity-building in SIDS should take more of an accompaniment approach, providing human resources to work side-by-side with government and DAE staff to build capacity over longer periods (months to years).

Recommendation 1(a). The GCF Secretariat should bridge the gap between pre-accreditation and post-accreditation RPSP support by incorporating resources specifically for concept note development into pre-accreditation RPSP grants, with the release contingent on Board accreditation. This could be a small amount, approximately USD 20,000–30,000, based on the cost to develop a concept note as reported by DAE interviewees.

Recommendation 1(b). The GCF Secretariat should make entity- and project development-related support more accessible to regional DAEs and consider a separate window of funds that does not count against the per-country allocation of USD 1 million.

Recommendation 1(c). The GCF Secretariat should promote the availability of multi-year support for embedding advisers in NDAs and/or make that support more easily accessible (e.g. through a roster approach).

Recommendation 1(d). The GCF Secretariat should adjust its offer of technical assistance through the RPSP to reflect the need for more hands-on support for writing concept notes in SIDS.

Recommendation 1(e). The GCF Secretariat should expand the roster and contribute to building the capacity of RPSP delivery partners in SIDS. This would facilitate shifting the business model for regional DAEs from readiness to investment and help relieve the bottleneck caused by regional DAEs being the partner of choice for both the RPSP and preparing funding proposals. Sharing lessons learned with NDAs and RPSP delivery partners could also help improve the effectiveness of capacity-building support offered to SIDS. For example, delivery partners could write terms of reference for consultants that focus less on one-off training or workshops and more on approaches that reflect the need for more accompaniment and mentoring.

RECOMMENDATION 2. Accelerate and simplify the project cycle, especially for the SAP.

Recommendation 2(a). The IEU's recent review of the SAP recommended that the Board develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, including consideration of delegation of authority to the Secretariat. Simplifying and accelerating the SAP is especially important for SIDS, because the growth in their pipelines is shifting towards this modality. The Board and the Secretariat should operationalize and implement the IEU's recommendations on the SAP.

Recommendation 2(b). In piloting the project-specific accreditation approach, the Board of the GCF should focus on making access faster and streamlined, to provide access through entities in SIDS that may otherwise not implement GCF projects.

Recommendation 2(c). The GCF Board and Secretariat should consider simplifying the funding proposal template to allow SIDS to cross-reference GCF country programmes, NDCs, NAPs, IPCC reports or other equivalent analyses in demonstrating overall national vulnerability to the impacts of climate change.

RECOMMENDATION 3. Approve a policy on a programmatic approach with urgency and with consideration to the issues raised by this evaluation.

Recommendation 3(a). The GCF Board should finalize the policy on the programmatic approach, with due consideration of the perspectives of SIDS and AEs in that policy. In particular, programmatic approaches should include both single- and multi-country programmes and include provisions to streamline the processes for subproject approval and changes, while ensuring appropriate due diligence.

Recommendation 3(b). Once a policy is adopted, the GCF Secretariat should provide AEs with guidance on the policy to build their confidence to prepare such programmes. The GCF Secretariat could also provide more “matchmaking” support for the development of these programmes, to encourage AEs and countries to pursue innovative elements within these programmes and subprojects, including those requested by SIDS' constituencies.

Recommendation 3(c). In appraising programmatic approaches, the GCF Board and Secretariat should ensure that they are closely linked with participating countries' NDCs, NAPs and long-term strategies, as well as other national efforts for complementarity and coherence. Programmatic approaches should be ambitious and could be innovative. For example, the GCF could consider financing an individual SIDS' adaptation pathway with funding tranches associated with trigger points or thresholds; such an approach would provide ample opportunities for managed flexibility, robust measures and bounded innovation in project development and implementation. Such approaches could help SIDS meet long-term visions and objectives with robust and predictable finance, while maintaining the flexibility SIDS need to adapt to climate change.

RECOMMENDATION 4. Ensure the GCF's approach to private sector engagement reflects the complexion of the local private sector in SIDS and a coordinated approach across the Secretariat and its divisions and facilities.

Recommendation 4(a). The Board should adopt a private sector strategy that includes the following:

- A clear common understanding of the private sector, including a reflection of the characteristics of local private sector actors in SIDS
- Objectives of private sector engagement, which should include leveraging private sector investment to realize the scale of climate ambitions, as well as improving the resilience of the local private sector and de-risking their climate-related investments

- A coordinated strategy among the GCF Secretariat's DCP, DMA and PSF teams for private sector engagement, including in SIDS, ranging from early stage consultation and awareness building to later-stage project development

Recommendation 4(b). The Secretariat should develop approaches for innovative financing structures and instruments, as requested by SIDS. It should also develop approaches for engagement with micro-, small- and medium-sized enterprises operating in constrained environments such as SIDS. Such approaches could include intermediary models that combine lines of credit with technical assistance for subproject preparation, or suites of options to support the private sector to build resilience in specific sectors common to SIDS, such as tourism, fisheries, local traders/merchants and local private transport providers.

Recommendation 4(c). The Secretariat should develop performance indicators that encourage development of private sector projects in a larger number of SIDS.

Recommendation 4(d). Following a critical review of the GCF's experience with the current RfPs, the GCF Secretariat should consider an RfP for private sector investments in SIDS. To ensure the success of the RfP, it should be sequenced after any structural or incentive issues with the RfPs are addressed and access issues are improved for SIDS.

MAIN REPORT

Chapter I. INTRODUCTION

“The small island countries in the Caribbean, in the Atlantic, in the Pacific, and in the Indian Ocean and around the world, are on the frontlines of being swallowed into an abyss, created initially by human activity and increasingly by inaction. Our vulnerabilities as states on the frontline are profound.”

- *Hubert Minnis, Prime Minister of the Bahamas, at the seventy-fourth session of the UN General Assembly*

A. BACKGROUND

1. **This report presents the Independent Evaluation Unit’s (IEU) Independent Evaluation of the Relevance and Effectiveness of the Green Climate Fund’s (GCF) Investments in Small Island Developing States (SIDS).** This evaluation is part of a concerted effort by the GCF’s IEU to examine the relevance and effectiveness of GCF strategy and investments in countries most vulnerable to the effects of climate change. The evaluation was approved by the GCF Board at its twenty-fourth meeting through decision B.24/06, as part of the IEU’s Work Plan. The evaluation focuses on SIDS, some of which are least developed countries (LDCs), African States or both; subsequent evaluations are likely to examine GCF investments in the LDCs and Africa, subject to Board approval.

B. SCOPE, METHODS AND LIMITATIONS

2. **This evaluation serves both learning and accountability functions.** It was structured around four key themes related to (1) the relevance of the GCF business model to the needs and urgency of climate action in SIDS; (2) the relevance of the GCF portfolio to the needs and urgency of climate action in SIDS; (3) the effectiveness of the GCF in delivering results through the implementation of GCF-funded projects and programmes; and (4) the complementarity and coherence of GCF activities with other climate finance delivery channels. The themes of private sector engagement and innovation in SIDS received special attention as cross-cutting themes.
3. To carry out the evaluation, the GCF IEU staff and a global consultancy, ICF, partnered to form an evaluation team. **The evaluation team used a mixed methods approach, employing both qualitative and quantitative data and methods** to inform the evidence-based findings, conclusions and recommendations that are presented in this report. Specific data sources and methods included the following:
 - An extensive document and literature review, including GCF documents and key peer-reviewed and grey literature on climate change interventions in SIDS
 - Analysis of data collected, analysed and quality assured by the IEU DataLab,⁵ considering data that were available up to and including 31 July 2020 (after the publication deadline for B.26)

⁵ The IEU DataLab consists of a team of IEU personnel dedicated to collecting and processing quantitative and qualitative information about the GCF.

- Key informant interviews with more than 160 people from SIDS governments, the GCF Secretariat and Board, accredited entities (AEs), civil society, the private sector and academia
 - An online survey administered to 164 GCF SIDS key stakeholder groups that had a 42 per cent response rate
 - A tool for self-assessing innovative elements in GCF-funded projects that was administered to AEs and that had a response rate of 48 per cent
 - A benchmarking and meta-analysis exercise to learn from the approaches of other climate funds and multilateral and bilateral agencies working in SIDS
 - Six remote, purposively selected country case studies (Barbados, Belize, Kiribati, Republic of the Marshall Islands, Saint Lucia and Seychelles), as well as eight SIDS case studies (Antigua and Barbuda, Fiji, Grenada, Haiti, Mauritius, Samoa, Solomon Islands and Vanuatu) from the IEU's recent evaluations
4. A summary of each of these methods is provided in Annex 5 Chapter I.
 5. **The most significant limitations faced by this evaluation were related to the global COVID-19 pandemic.** This evaluation was launched at the end of February 2020, when the pandemic was reaching its peak in South Korea and starting to take hold in many other countries around the world, forcing the GCF Secretariat and Independent Units to work remotely. To protect their populations, many SIDS closed their borders to foreigners, while other countries instituted travel restrictions, making in-person country case studies impossible. As a result, the country case studies and nearly all interviews for this evaluation were undertaken remotely. The evaluation team made every effort to mitigate these limitations through the use of adaptations that have since come to be established in the evaluation community. Some adaptations included extensive use of video platforms and alternative strategies such as WhatsApp and written responses to interview questions. The evaluation team also employed an online survey to all in-country respondents and SIDS counterparts who were outside the country case studies, to get further insights at an aggregated level. Overall, the evaluation team was impressed with the responsiveness of interviewees, especially given that some country stakeholders were facing significant other responsibilities in the face of the pandemic (e.g. permanent secretaries of ministries of economy and finance acting as NDAs but also being responsible for mitigating economic crises brought on by COVID-19). However, the team did face some lack of responses, particularly among the Atlantic, Indian Ocean and South China Sea (AIS) SIDS, and was aided by introductions and follow-up from the GCF Secretariat and AEs.
 6. **The evaluation also faced limitations in assessing the effectiveness of GCF investments due to the early maturity of GCF-funded projects in SIDS.** Although funding proposals have been approved in all the case study countries, not all projects are under implementation, for various reasons addressed in this report. Many other limitations of mixed methods evaluations remain relevant – for instance, those related to validity and generalizability. Some of the limitations related to data collection were partly mitigated by undertaking interviews until data saturation was reached. The data sources were also triangulated and validated – for instance, through the use of an online survey.
 7. It also begs clarification that this evaluation is only a sub-portfolio evaluation. Therefore, while the findings and recommendations are relevant to SIDS, they do not prejudice other vulnerable countries, including the LDCs and African States. Indeed, many findings may be generalized to other sub-portfolios of the GCF and will be explored in subsequent evaluations approved by the GCF Board. Other limitations and mitigation measures are provided in the Annex 5 Chapter I.

Chapter II. BACKGROUND, CONTEXT AND LESSONS LEARNED

A. INTRODUCTION

1. As a designated operating entity of the Financial Mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), the GCF provides support to developing countries to limit or reduce their greenhouse gas (GHG) emissions and to adapt to the impacts of climate change, taking into account the needs of those countries most vulnerable to the adverse effects of climate change, including SIDS, LDCs and African States.⁶ The GCF recognizes 40 eligible SIDS, as shown in Figure II-1 below. These include the 38 United Nations (UN) Member States classified as SIDS by the UN Office of the High Representative for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), as well as two additional non-UN Members or Associate Members of Regional Commissions (Niue and Cook Islands).⁷ For this evaluation, GCF-eligible SIDS are categorized as being in one of three regions – the Pacific; the Caribbean; and the Atlantic, Indian Ocean and South China Sea (AIS) – although intraregional differences and affiliations also exist.

B. SIDS: A DIVERSE GROUP

2. SIDS is a political distinction. UN-OHRLLS classifies countries as SIDS because they face exceptional social, economic and environmental vulnerabilities. Yet SIDS also exhibit notable differences, such as size, geography and economic development (and, indeed, vulnerability to the effects of climate change). Although SIDS are often seen as a group of nations that face shared challenges, they are also a heterogeneous group that have just as many differences as they do similarities. These differences include the following:
 - **Economic development.** Some SIDS are LDCs; others are not. Small island economies have varied archetypes, from those sustained by remittances and aid flows, to those driven mainly by tourism (up to 50–70 per cent of GDP),⁸ to those that manage to exploit a broader set of economic opportunities.⁹ Many SIDS rely heavily on ocean resources for economic growth (i.e. the “blue economy”). SIDS typically have limited access to other resources, rely on a few major industries and are distant from global market centres (see Annex 5 Chapter II). Some SIDS have extremely high indebtedness, especially those in the Caribbean (see Annex 5 Chapter II). The collapse of tourism due to COVID-19 is of major concern to SIDS and is deeply exacerbating the debt burden of most.
 - **Geography and demography.** Physical size varies substantially, from small city-states such as Singapore to large islands like Cuba. Some SIDS are one island, whereas others are archipelagos of hundreds of islands; some are not even islands. Some are low-lying atoll islands; others have mountains rising more than 4,500 metres (see Annex 5 Chapter II).

⁶ UNFCCC, 2011.

⁷ Based on IEU communications with GCF Department for Country Programming.

⁸ UN-OHRLLS, 2015.

⁹ World Bank, 2017a.

Population size also varies widely, from under 2,000 people (Niue) to more than 10 million inhabitants (Dominican Republic, Haiti) (see Annex 5 Chapter II).

- **Governance.** Nearly all SIDS are relatively young countries. Many were colonies that have gained independence in the last 50 years; some remain dependant on other countries through free association agreements.
- **Social and cultural dynamics.** Limited economic opportunities and the threat of climate change impacts have begun to cause displacement, migration and planned relocation in some SIDS (see Chapter II.C). Gender and equity issues vary among countries and regions. Participation of the female labour force is lower in Pacific SIDS than Caribbean SIDS, where women are beginning to surpass men in education and management positions. Women's voices and agency are also generally more limited in Pacific SIDS, with substantially lower female representation in parliaments than in Caribbean SIDS. Gender-based violence is also extremely high in some Pacific SIDS, such as Kiribati and Vanuatu.¹⁰

¹⁰ World Bank, 2017a; World Bank, 2018

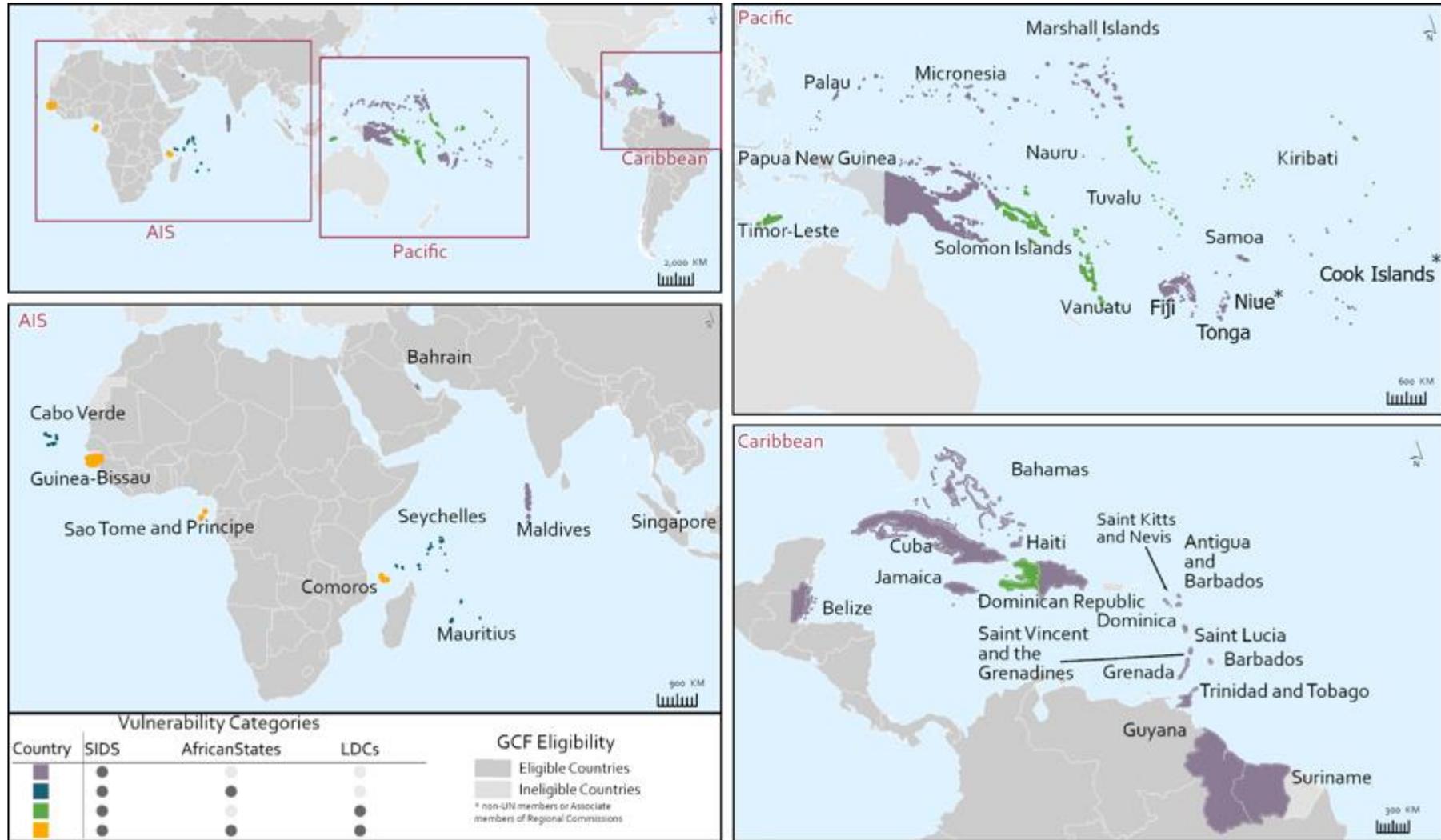


Figure II-1. GCF-eligible SIDS

Source: For vulnerability categories: iPMS project data. For countries' boundaries: Database of global administrative areas (2020), as of 31 July 2020, analysed by the IEU DataLab.

C. SIDS AND CLIMATE CHANGE IMPACTS

3. **SIDS are highly vulnerable to the effects of climate change.**¹¹ On a global scale, SIDS emit negligible GHG emissions, yet some islands' very existence is threatened by climate-related impacts that are a result of increasing global emissions. SIDS often face particular vulnerabilities due to geophysical constraints such as small size, geographic dispersion, susceptibility to natural disasters, heavy reliance on fossil fuels (often imported), limited private sector opportunities, weak institutions and fragile ecosystems.¹² These vulnerabilities are being exacerbated by the current COVID-19 crisis, as SIDS' economies are especially sensitive to global economic shocks.
4. **The Intergovernmental Panel on Climate Change (IPCC) has recognized the urgency of climate action for SIDS,** finding that (a) SIDS are already feeling the impacts of climate change and (b) the risks of climate change are greater than previously assessed, as well as higher for SIDS.¹³ Limiting global warming to 1.5°C is seen as critical for SIDS, which are projected to experience high, multiple and interrelated risks at that degree of warming, but substantially higher impacts at 2°C. **The IPCC also found that vulnerable countries, including SIDS, may exceed adaptation limits well before the end of this century,** even on a low GHG emission pathway scenario, putting low-lying and island contexts such as urban atoll islands at high risk.¹⁴
5. SIDS face numerous climate impacts, including rising temperatures, changing precipitation patterns, flooding, drought, reduced availability of freshwater resources, sea level rise and coral reef decline. Most SIDS expect to face food and water insecurity as water becomes scarcer, ocean and land food resources continue to degrade, populations continue to grow, and energy and food prices increase. Increasing temperatures, intensifying storms and the growing loss of tropical coral reefs is expected to have a severe negative impact on tourism, which many SIDS heavily rely on. Coastal flooding is creating severe impacts on coastal populations and infrastructure, as the frequency of extreme water-level events is projected to double by 2050.¹⁵ Six GCF-eligible SIDS have more than a quarter of their landmass between 0 and 5 metres above sea level, illustrating the urgency of climate action (see Figure II-3).

¹¹ Nurse et al, 2014; Oppenheimer et al., 2019.

¹² UNFCCC, 2005; Nurse et al, 2014.

¹³ IPCC, 2018b; Hoegh-Guldberg et al., 2018.

¹⁴ Oppenheimer et al., 2019; Magnan et al., 2019.

¹⁵ IPCC, 2018a.

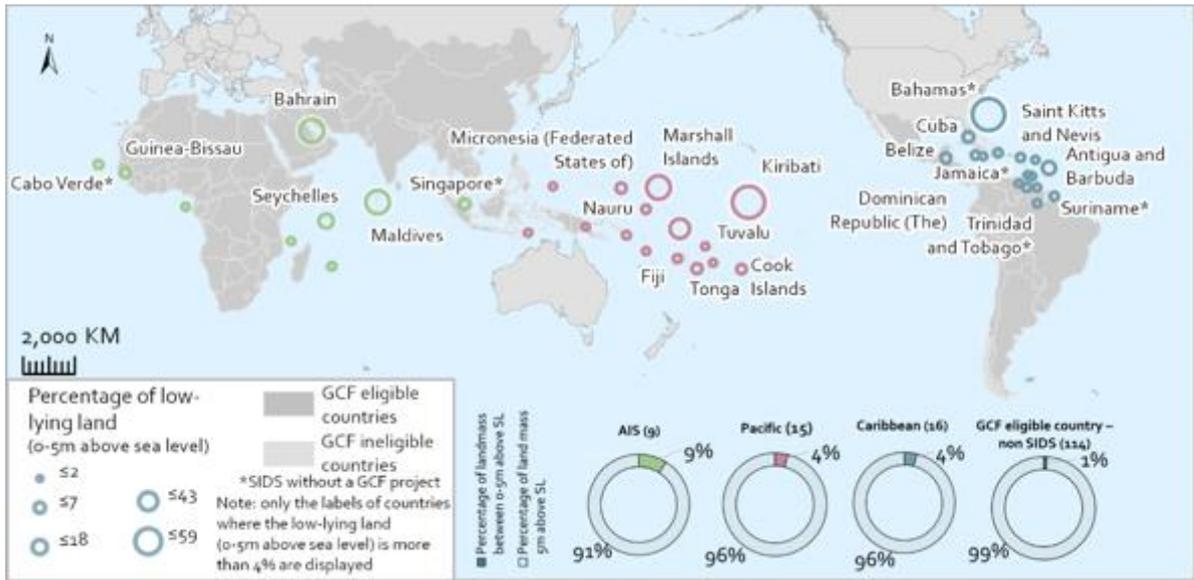


Figure II-2. Percentage of low-lying land (0–5 m above sea level) in GCF-eligible SIDS (map)

Source: Shuttle radar topography mission (2019), as of 31 July 2020, analysed by the IEU DataLab.

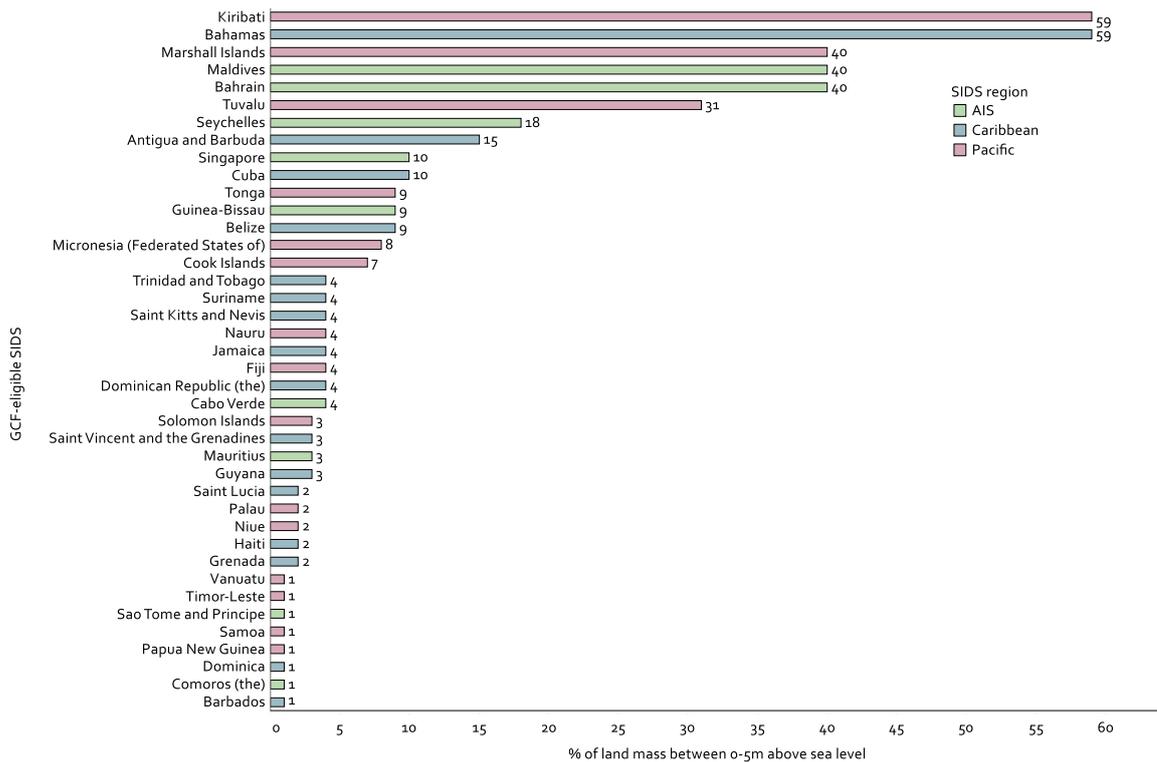


Figure II-3. Percentage of low-lying land (0–5 m above sea level) in GCF-eligible SIDS (bar chart)

Source: Shuttle radar topography mission (2019). For countries' boundaries data: Database of global administrative area (2020), as of 31 July 2020, analysed by the IEU DataLab.

- The challenges created by climate impacts are different across SIDS. Overall, SIDS are a heterogenous group when it comes to climate vulnerability and readiness, as shown in Figure II-4.

Compared to the average scores of all GCF-eligible countries, 20 per cent of SIDS are more vulnerable and less ready; another almost 20 per cent are more vulnerable but more ready.

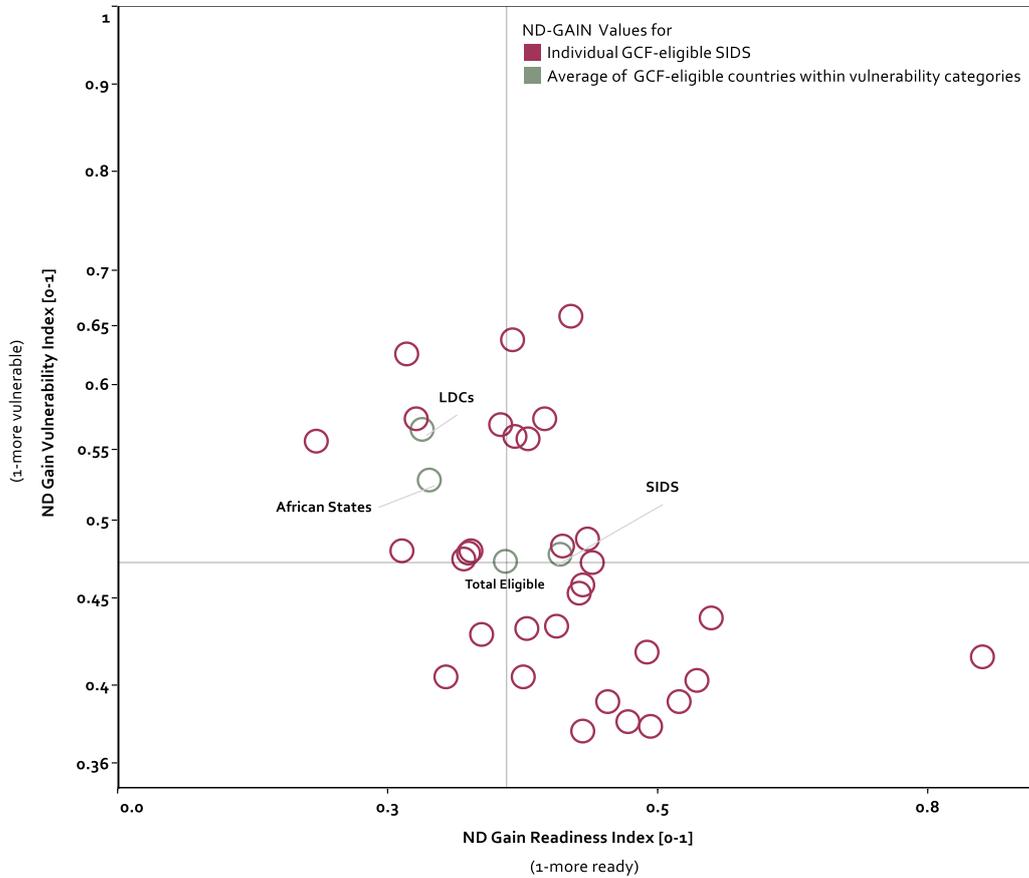


Figure II-4. Climate vulnerability and readiness of SIDS and other GCF-eligible countries

Source: Notre Dame Global Adaptation Initiative Country Index (2017), analysed by the IEU DataLab.

Note: Eight data points not covered by the ND Gain vulnerability index are missing from the graph: Cabo Verde, Cook Islands, Kiribati, Marshall Islands, Nauru, Niue, Palau, Tuvalu.

D. SIDS AND INTERNATIONAL CLIMATE POLICY DIALOGUE

7. **SIDS have a history of active and vocal participation in international climate dialogue.**¹⁶ The Alliance of Small Island States (AOSIS) acts as a coalition voice for SIDS¹⁷ in climate talks and has played an important role in influencing the UNFCCC, including the **Convention’s recognition that “low-lying and other small island countries” are particularly vulnerable to climate change.**¹⁸ Leading up to the landmark twenty-first session of the UNFCCC Conference of the Parties (COP 21) and the adoption of the Paris Agreement, AOSIS was a key group in support of more ambitious global climate action during negotiations, building on its call for “1.5°C to stay alive” since 2008.¹⁹

¹⁶ Ourbak and Magnan, 2018.

¹⁷ All GCF-eligible SIDS are part of this coalition, with the exception of Bahrain.

¹⁸ United Nations, 1992, 2; UNFCCC, 2005, 2.

¹⁹ United Nations, 2014, 1.4; Benjamin and Thomas, 2016.

8. **In the context of climate finance, SIDS have repeatedly called for prioritized international support for adaptation and mitigation activities, and have echoed the importance of climate aid as key to their overall development.** During negotiations, AOSIS called for “significantly scaled-up, new, additional and predictable financial resources.”²⁰ AOSIS also urged increased support for adaptation, while seeking to ensure that adaptation measures would be country-driven.²¹ SIDS further sought to preserve their special status as “vulnerable countries” in order to maintain their prioritization for climate financing support. AOSIS has also been a vocal proponent of international support for activities related to loss and damage, and was instrumental in its inclusion in the Paris Agreement (Box III-3).
9. **SIDS’ needs and aspirations have also been articulated through the SIDS Accelerated Modalities of Action (SAMOA) Pathway,** adopted in 2014 during the Third International Conference on Small Island Developing States. Regarding climate finance, the SAMOA Pathway resolution emphasizes the importance of “adequate and predictable financial resources” for developing countries.²² The resolution also welcomed the decision by the GCF Board to allocate half of its adaptation funding to particularly vulnerable countries, including SIDS.²³

E. LEARNING FROM THE EXPERIENCE OF OTHER AGENCIES WORKING IN SIDS: BENCHMARKING THE GCF

10. The evaluation team reviewed the efforts of other climate funds and organizations working in SIDS to benchmark GCF efforts and identify lessons learned. Select key findings are below; the full benchmarking and meta-analysis is provided in Annex 3.
11. **Overall, SIDS frequently feature in the strategies of most international organizations, but few organizations have specific policies or processes for engaging with SIDS.** Table II-1 below summarizes seven key elements of international organizations’ approaches to SIDS. It must be interpreted cautiously, however, because the specific circumstances and needs of SIDS are considered to varying degrees among these elements and organizations.

Table II-1. Key elements of other organizations’ approaches to SIDS

ARE SIDS GIVEN SPECIFIC CONSIDERATION IN	GCF	GEF	AF	CIF	AfDB	ADB	WBG	EIB	IDB	UNDP
Programming strategies?	●	--	--	●	●	●	●	●	●	●
Resource allocation and financial instruments and terms?	--	●	--	--	--	●	●	●	--	--
Investment modalities?	--	--	--	--	--	●	●	--	--	--
Project cycle processes?	--	--	--	--	--	●	●	--	--	--

²⁰ AOSIS, 2015, 2.

²¹ Fry, 2016, 107.

²² United Nations, 2014, 9.

²³ United Nations, 2014, 4.

ARE SIDS GIVEN SPECIFIC CONSIDERATION IN	GCF	GEF	AF	CIF	AfDB	ADB	WBG	EIB	IDB	UNDP
Implementing entities / accreditation processes?	●	--	●	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Private sector approach?	●	--	--	--	--	●	●	--	--	--
Addressing capacity and country support challenges?	●	--	--	--	--	●	●	--	--	●

Source: Evaluation team review of Adaptation Fund, n.d.; Adaptation Fund, 2015; Adaptation Fund, 2014; AfDB, 2016; AfDB, 2019; AfDB, 2020; ADB, 2019a; ADB, 2019b; ADB, 2019c; ADB, 2018a; ADB, 2018b; ADB, 2018c; ADB, 2017a; ADB, 2017b; CIF, 2008; EIB, 2015; GEF, 2018a; GEF, 2018b; IDB, 2020; UN, 2017; World Bank, 2016a; World Bank, 2017a; World Bank, 2019.

Note: ● SIDS are given some specific consideration in this area. | -- SIDS are not given specific consideration in this area. | n/a Area is not relevant for the organization.
GEF: Global Environmental Facility | AF: Adaptation Fund | CIF: Climate Investment Funds | ADB: Asian Development Bank | WBG: World Bank Group | EIB: European Investment Bank | IDB: Inter-American Development Bank | UNDP: United Nations Development Programme | AfDB: African Development Bank.

12. **Programming strategies.** Like the GCF, the climate funds generally have not had specific strategies for engaging with SIDS. International agencies' differentiated strategies²⁴ often focus on an approach that is sensitive to SIDS' fragility and unique models for economic development. Evaluations of these organizations point to the potential need in SIDS for differentiated approaches, especially for microstates, which "require attention at downstream and local-level interventions."²⁵
13. **Resource allocation, financial instruments and absorptive capacity.** Most of the international organizations have moved in the direction of increased resource allocations for SIDS, relative to other countries. The GEF has made efforts to protect SIDS during replenishment shortfalls. In the World Bank and Asian Development Bank (ADB), some SIDS have special exceptions for more favourable financing terms (grants and concessional finance). Evaluations have highlighted the importance of grants for SIDS. An ADB Independent Evaluation Department (IED) evaluation found that the ADB's relevance in the smallest Pacific SIDS is "highly dependent on the ability to increase grant project financing and technical assistance (TA), especially given countries' high risk of debt distress."²⁶ However, SIDS have a limited capacity to absorb increasing amounts of development assistance, "unless there is a corresponding increase in TA and support for implementation."²⁷ Evaluations by the Independent Evaluation Group (IEG) of the World Bank similarly found that the World Bank's scale of potential support is limited by "the ability to borrow given existing high indebtedness as well as by the absorptive capacity of governments."²⁸
14. **Regional and programmatic approaches.** In the GEF, programmatic approaches have had limited traction in SIDS, although the "ridge-to-reef" approach (i.e. a holistic approach of coastal zone management) is gaining traction. The ADB and the World Bank in particular have been moving

²⁴ The World Bank Group, for example, is guided by its *Roadmap for Engagement in Small States* and its flagship *Pacific Possible* report, in addition to regional and country strategies. ADB has a regional strategy for the 11 smaller Pacific SIDS.

²⁵ UNDP EO, 2012.

²⁶ ADB IEG, 2015.

²⁷ ADB IEG, 2015.

²⁸ World Bank IEG, 2016b.

towards programmatic interventions in SIDS. Multi-tranche financing facilities, multi-partner and multi-year policy-based operations, and long-term programmatic TA operations are examples of interventional modalities. Evaluations and subsequent agency strategies have identified the need for “streamlined packaging” approaches to programming that can reduce transaction costs for agencies and SIDS with smaller financing volumes. For example, IEG found that the World Bank’s use of the adaptable programmatic loan instrument for projects in multiple Caribbean countries helped limit transaction costs and address differing levels of readiness among the country clients.

15. The evaluative evidence on regional approaches is mixed. In the Pacific, an IEG evaluation found that while there should be great scope in SIDS for capturing economies of scale through regional or multi-country approaches, this has proven difficult to achieve. In the Caribbean, the United Nations Development Programme (UNDP) regional programme did not systematically address sustainability factors.²⁹ Regional approaches have been found to work well in SIDS when they address common issues across countries while reflecting national priorities and particularities (e.g. ownership), and when they are operated under a regional umbrella with separate country projects.
16. **Project cycle.** Like the GCF, other climate funds use the same project processes for SIDS as for other countries. The Adaptation Fund allows some flexibility for project oversight in SIDS during implementation – for instance, by allowing for lower-cost alternatives to travel (such as extensive use of email).³⁰ The ADB and the World Bank allow for greater use of their project preparation facilities in SIDS, in recognition of evaluations finding that these resources were critical for better-designed projects. The evaluative evidence on the effectiveness of project cycle processes specifically in SIDS is somewhat limited, except to point out recurring challenges in procurement, use of national systems and flexibility in processes. An ADB Operations Evaluation Department evaluation for the Pacific found that flexibility is important for efficiency in operations, “but what flexibility means in practice for operational design and implementation is not fully understood and there are no guidelines for staff to follow. Apart from the need for flexibility in procurement, consultations with ADB staff suggested that flexible approaches were not being fully used, for example, in disbursement, project appraisal requirements, and project processing.”³¹
17. **Private sector.** Like the GCF, the climate funds generally either do not have corporate-level private sector strategies or have not explicitly considered the special characteristics of the private sector in SIDS, such as the prevalence of micro-sized businesses (see Chapter VII) in such strategies. Evaluations by the World Bank and ADB in the Pacific highlighted the close linkages between the public and private sectors and the need for a coordinated approach, especially in the smallest SIDS.

F. KEY CONSIDERATIONS FOR EFFECTIVE CLIMATE FINANCE IN SIDS

18. On the basis of the meta-analysis, the literature review of about 30 peer-reviewed and grey papers on climate interventions in SIDS (see details in Annex 5 Chapter II) and the extensive interviews conducted for this evaluation, the evaluation team identified five factors that are critical to consider in climate finance for SIDS. These factors provide an important framing for this evaluation and are also potentially relevant in part or full for other sets of vulnerable countries.
19. **Urgency.** As mentioned above, the IPCC has recognized the urgency of climate action in SIDS. In 2019, Heads of State and Government, Ministers and High Representatives adopted a resolution³²

²⁹ UNDP EO, 2013.

³⁰ Adaptation Fund, 2015.

³¹ ADB IED, 2015.

³² United Nations, 2019, 3–4.

calling for “urgent and ambitious global action, in line with the Paris Agreement, to address the threat and impact of climate change on small island developing States”.

20. **Importance of adaptation.** The literature and interviews emphasize the importance of adaptation finance for SIDS. “Due to the rural, remote and specific institutional characteristics of SIDS, these efforts are commonly implemented at the community level.”³³ In SIDS, “the scholarly consensus is clear: adaptation is fundamentally a local issue, and local involvement, participation and ownership is a central precondition for successful adaptation.”³⁴ Challenges have been noted in terms of filtering adaptation funding down from governments to communities,³⁵ as well as the varying needs of individual islands in an archipelago, with concerns regarding the distribution of national resources to the islands.³⁶ Social capital plays a significant role in the success of community-based adaptation in SIDS,³⁷ and in efforts implemented by non-governmental organizations (NGOs) and those integrated with ecosystem-based adaptation.³⁸ The evaluation also notes that there are limits to the interpretation and implementation of “participation”, and this has implications for power and exclusion. Overall, the evaluation regards participation and inclusion as desirable.
21. **Capacity constraints.** Low numbers of qualified staff working in key capacities “constrain the ability of SIDS to access and manage different sources of concessional finance, and limit their absorption and implementation capacity.”³⁹ In addition to human resource capacities, other constraints relate to technical, monitoring, evaluation, implementation and enforcement capacities.⁴⁰ While AOSIS has articulated as a key principle for climate finance that “climate change financing mechanisms should work to the extent possible with existing national and regional institutions, and budgetary and reporting systems”,⁴¹ SIDS face a cycle of “limited capacities and low use of country systems” that constrains effectiveness in the long term.⁴² Such needs were also noted by the Paris Declaration and the Accra Agenda for Action. Capacity is especially limited within local government and rural communities.⁴³ SIDS (and in particular, LDC SIDS) identify more barriers than other developing country Parties in their nationally determined contributions (NDCs) in terms of the development and transfer of mitigation and adaptation technologies.⁴⁴
22. A related principle for climate finance, as stated by AOSIS, is that “access to climate finance should not put a disproportionate burden on countries, especially those with capacity constraints, to access funds especially when responding to adaptation needs.” Actions to ensure such access include simplified and expeditious access procedures and targeted TA and readiness support.
23. **High transactional/operational costs.** A recurring theme evidenced in quantitative data, interviews and external literature is that operating in SIDS is much more expensive than most other country contexts. Transportation is expensive within SIDS, and SIDS’ markets are too small to enable economies of scale. The majority of SIDS with at least one GCF project (25 out of 30) have no land borders with any other country, so can only access goods or services by ship or aeroplane (see Annex 5 Chapter II). Adding to the economic and time costs of transportation and project operations, SIDS in the Pacific and Indian Ocean are typified by populations spread across many

³³ Hagedoorn et al., 2019.

³⁴ Betzold, 2015.

³⁵ Nunn and McNamara, 2019.

³⁶ Petzold and Magnan, 2019.

³⁷ Hagedoorn et al., 2019.

³⁸ McNamara et al., 2020.

³⁹ OECD, 2018; OECD and World Bank, 2016.

⁴⁰ Robinson, 2018.

⁴¹ AOSIS, 2017.

⁴² OECD and World Bank, 2016.

⁴³ Kuruppu and Willie, 2015.

⁴⁴ Traerup et al., 2018.

islands over vast distances of ocean, an issue that non-SIDS do not face. Of the 30 SIDS with a GCF project, only 3 consist of one single land mass – Barbados, Dominica and Nauru (see Annex 5 Chapter II).

24. Geospatial analysis of median travel time to urban centres in SIDS further emphasizes the remoteness of some countries and the implications for high transaction costs (see Annex 5 Chapter II). For example, in the Republic of the Marshall Islands (RMI) (a country of dispersed atoll islands), most residents can only travel among islands via copra-trading ships that visit four times per year. A round trip can take two months to complete. RMI's household and building census required to prepare water harvesting infrastructure across all 77 villages located on 24 outer islands will take two years to complete.
25. ***Need for flexibility.*** Recognizing that SIDS are a highly heterogeneous group, climate financing must not be rigid; rather, it should consider the unique contexts and constraints that SIDS exhibit. Flexibility is seen as key to enhancing funding effectiveness but is also a foundational principle for climate adaptation as a whole. In interviews, a call for flexibility was a common refrain.
26. Given the centrality and thrust of these five factors to climate action in SIDS, the evaluation team considered them to constitute five normative values to guide the evaluation. For the remainder of the report, these factors provide a set of norms or guiding principles to evaluate GCF investments in SIDS. Subsequent chapters will use these normative values for evaluative assessments.

“The high cost of operations in SIDS is largely attributable to their remoteness, SIDS spread out widely across the vast Pacific ocean, low population density, and poor connectivity; hence this reality has to be factored in [when] assessing value for money and [GCF’s] efficiency equation.”
- *An interviewee from Kiribati*

Chapter III. RELEVANCE OF GCF GUIDANCE, FRAMEWORKS AND POLICIES FOR SIDS

A. INTRODUCTION

1. The UNFCCC has recognized that “low-lying and other small island countries” are particularly vulnerable to climate change. The GCF is mandated to consider the needs of particularly vulnerable countries. This chapter reviews the relevance of GCF guidance, frameworks and policies to the specific needs and urgency of climate action in SIDS. Specifically, it answers the following questions:
 - How relevant and how constraining are GCF policies and frameworks to SIDS?
 - To what extent has the GCF been responsive to UNFCCC guidance to the GCF that is specific to SIDS?

B. DATA AND ANALYSIS

1. SIDS AND THE GCF MANDATE

2. The GI of the GCF, guidance from the UNFCCC COP to the GCF, as well as numerous Board decisions, discussions and documents provide detailed guidance on the Fund’s approach to SIDS. **The GI provides some specific guidance relevant for SIDS**, along with LDCs and African States:
 - Paragraph 9: The composition of the Board will include representatives from SIDS and LDCs.
 - Paragraph 43: The Private Sector Facility (PSF) will “support activities to enable private sector involvement” in SIDS and LDCs.
 - Paragraph 52: “In allocating resources for adaptation, the Board will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and African States, using minimum allocation floors for these countries as appropriate. The Board will aim for appropriate geographical balance.”
3. Drawing from the above mandate, GCF discussions and Board decisions on many of the strategies, policies and frameworks mention considerations of SIDS. The rest of this section provides a description of some key areas where the GCF has articulated considerations of SIDS explicitly. The effectiveness of these measures will be examined in subsequent chapters.

a. Resource allocation

4. Through decision B.06/06, the Board decided “*to aim for a floor of 50 per cent of the adaptation allocation for particularly vulnerable countries, including LDCs, SIDS and African States.*” This minimum allocation was further reiterated in the Initial Strategic Plan for the GCF (decision B.12/20) and the Draft Updated Strategic Plan for the GCF: 2020–2023, which was presented in GCF/B.25/09 but is not adopted at the time of writing.
5. Also related to allocation, decision B.09/05(d)(ii) requests the Secretariat to present indicative minimum benchmarks in order to “*take into account those developing countries particularly vulnerable to the adverse effects of climate change*”, including SIDS. It also requests the Secretariat

and independent Technical Advisory Panel (iTAP), in the application of the assessment scale, to take into account the needs of those developing countries particularly vulnerable to the adverse effects of climate change, again including SIDS. The Board-approved terms of reference for the iTAP (decision B.BM-2018/09) provide that experience in the appraisal and operation of projects in SIDS is an asset.

b. Private sector modalities

6. Special consideration has been given to SIDS and other vulnerable countries in establishing the GCF's PSF and modalities for private sector engagement in GCF activities in these countries, although the latter have not yet been clearly articulated.
7. Decision B.04/08 set forth that the PSF will “*support activities to enable private sector involvement in small island developing States and least developed countries. Modalities will be developed for consideration by the Board.*” Specifically, the Board requested its Private Sector Advisory Group (PSAG) to provide recommendations on “*modalities to promote participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local financial intermediaries in small island developing States, least developed countries and Africa, and with a special emphasis on adaptation*” in multiple decisions (B.07/08; B.15/03; B.17/06) (emphasis ours).
8. At its nineteenth meeting, the Board considered the PSAG's recommendations (see Chapter VII) and in decision B.19/18 decided to do the following:
 - Request the Secretariat to develop modalities “*to support activities to enable **domestic and international private sector actors** to engage in GCF activities in*” LDCs and SIDS, for consideration by the Board at its twentieth meeting (emphasis ours).
 - Request “*the Secretariat, in cooperation with private and public sector entities, accredited entities, national designated authorities and focal points, to identify and facilitate the development of funding proposals targeting least developed countries and small island developing States, which involve innovative financing structures or modalities, such as project and small-scale solution aggregation, public-private insurance structures, and on-lending and risk capital investments through climate-oriented financial intermediaries.*”
 - Take into account the recommendations from the PSAG “*when (i) revising policies, programmes and processes, such as the accreditation framework, investment criteria indicators, the Readiness and Preparatory Support Programme, the Project Preparation Facility and the project approval process; and (ii) approving work plans and budgets relevant for private sector engagement.*”
9. In decision B.24/04, the Board decided to consider under the Strategic Plan for 2020–2023 “*modalities to support activities to enable domestic and international private sector actors to engage in GCF activities*” in LDCs and SIDS. The Updated Strategic Plan as presented at B.25 proposed to develop a private sector strategy focused on, among other issues, supporting private sector engagement in all developing countries, in particular LDCs and SIDS. Box III-1 below summarizes SIDS' input on the update of the GCF strategic plan.

Box III-1. SIDS input to the update of the GCF Initial Strategic Plan

SIDS' comments include key messages urging the Board and Secretariat to take the following action (emphasis ours):

- Consider the IPCC's 1.5°C Special Report in reflecting the **urgency of the GCF's transformational mandate**, as well as the GCF's strategy and policies on accreditation and reaccreditation, project cycle approval, and performance management framework
- Promote paradigm shift, including through a **higher risk appetite** than other funds; strong national and regional institutional capacity and ownership, supported through **strengthening RPSP, DAE accreditation, EDA, SAP and private sector engagement**; promoting and testing **new innovative approaches** to climate finance; and promoting the **use of best available science** on climate impacts in financial decision-making
- Scale up and **accelerate support for NAPs and funding proposals** that meet GCF criteria and ensure efficient access to financial resources
- **Learn from the findings of the IEU**, especially on the RPSP, country ownership, transformational ability and process review

Source: Summarized from SIDS input to the update of the Initial Strategic Plan for the GCF, 2018.

c. Programmes, pilots and processes

10. The approvals of several GCF programmes, pilots and processes have specifically considered the needs of SIDS.
11. Through decision B.05/14, adopting the scope for the Readiness and Preparatory Support Programme (RPSP), the Board noted the importance of such support for “*effective private sector engagement, particularly for small- and medium-sized enterprises and local financial intermediaries in developing countries, and activities to enable private sector involvement in*” SIDS and LDCs. The Board also noted that the allocation of such RPSP support would “*take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse impacts of climate change*”, including SIDS.
12. The Board-approved policy on fees for accreditation waives such fees for basic fiduciary standards for subnational and national entities in SIDS and LDCs that apply for accreditation for micro- and small-sized funding activities (decision B.08/04).
13. In decision B.10/04, the Board approved the terms of reference for a pilot phase for enhanced direct access (EDA), with the “*initial aim of providing up to USD 200 million for at least 10 pilots, including at least four pilots to be implemented in small island developing States, the least developed countries and African States.*”
14. At B.12, the Board approved the Initial Strategic Plan for the GCF (decision B.12/20), in which the GCF expressed its intent to “*streamline and, wherever appropriate, simplify its processes and templates particularly for micro-scale activities in LDCs and SIDS.*”
15. In decision B.18/06, the Board approved the simplified approval process (SAP) pilot scheme. In previous Board meetings, discussions had highlighted the perceived importance of the SAP for SIDS. In particular, at B.15, numerous Board members commented on the delay in operationalizing the SAP, and the Co-Chairs acknowledged the significance and urgency of SAP on behalf of all SIDS and developing countries. Before its approval by the Board, the SAP was initially proposed as a means to address the needs of countries such as SIDS and LDCs.

d. SIDS considerations in GCF institutional design

16. As seen above, the background discussion and decisions on some specific institutional features make a specific mention of the considerations of SIDS. In our review of these institutional features, where reference to SIDS was made, the capacity needs of SIDS were mentioned frequently while flexibility was mentioned more rarely (Table III-1).

Table III-1. Key features of GCF institutional design, where the background discussion and decisions mention considerations of SIDS

	FLEXIBILITY	CAPACITY	URGENCY	TRANSACTION COST	IMPORTANCE OF ADAPTATION
Accreditation	--	--	--	●	--
EDA	--	●	--	--	--
SAP	--	●	●	●	--
Initial Strategic Plan	●	●	●	--	--
RPSP	--	●	●	--	●
Resource allocation	--	--	--	--	●
Private sector modalities	--	--	--	--	●

Note: ● SIDS are given some specific consideration in this area. | -- SIDS are not given specific consideration in this area.

17. **While SIDS have been considered in discussions and decisions on some key features of the GCF’s design, the GCF’s strategic frameworks and policies themselves generally do not distinguish based on country circumstance or constituency, for SIDS or other groups.**⁴⁵ This approach is appropriate in that (a) it reflects the approach of the GI and UNFCCC, and (b) the evaluation team’s review of the GCF policies of most concern to SIDS suggests that they leave room for flexibility for SIDS in operationalization, which was the key consideration raised in interviews.⁴⁶ **As previous IEU evaluations have also found, the crux of the issue will be in the interpretation and application of GCF policies to account for the specific circumstances of SIDS.** Multiple interviewees emphasized the need for guided flexibility in this regard (e.g. through guidance, administrative instructions and standard operating procedures for the Secretariat).
18. In the first five years of the GCF, frequent changes in the policy landscape have exacerbated existing capacity constraints in SIDS and DAEs, which have struggled to meet the GCF standards for project development. At the same time, **lack of Board-approved policies on critical issues is also reported to have inhibited project development in SIDS.** Notably, among the policies that are of most concern to SIDS, half – including programmatic approach, incremental costs,

⁴⁵ For the list of strategic framework and policies reviewed by the evaluation team, see Annex 5 Chapter III. There are two exceptions. One is the Policy on Fees for Accreditation (B.08/04), which allows that subnational and national entities in SIDS and LDCs that apply for accreditation for micro-sized and small-sized funding activities “will have their accreditation fees waived for the basic fiduciary standards.” The other is the RPSP, which includes specific provisions for SIDS in its strategy.

⁴⁶ Benchmarking showed that some AEs have such differentiated approaches; for example, the World Bank and ADB have a modified set of guidelines for procurement for fragile states and SIDS that qualify under their small island economies exceptions.

concessionality and co-financing – are yet to be Board approved. Policies related to the investment framework were among those most frequently identified as relevant and/or potentially constraining for SIDS (see Annex 5 Chapter III and Box III-2).⁴⁷ Interviewees called for increased clarity and flexibility in the final design and application of these policies, with emphasis on the programmatic approach as highly relevant for scaled-up climate action in SIDS.

Box III-2. Discussion of relevant and/or concerning policies for SIDS

Investment framework. Interviewees stated that the GCF should apply its six investment criteria in a manner that accounts for country circumstances, and most available evidence suggested that the GCF is largely doing so. With respect to impact potential, interviewees from the GCF Secretariat, DAEs and NDAs expressed an understanding that the scale of the impact may look different in SIDS and that number of beneficiaries relative to the total population may be a more appropriate metric for SIDS than total beneficiaries.

With regard to efficiency and effectiveness, interviewees from the GCF Secretariat and AEs acknowledged the often-higher cost of doing business in SIDS. The unit cost per beneficiary, or MTCO_{2eq}, for SIDS is nearly three times higher for mitigation funding proposals compared to non-SIDS.⁴⁸ Interviewees from the Secretariat also reported, and respondents from AEs confirmed, that the GCF makes case-specific allowances for higher cost project designs in SIDS. And despite high operating costs, the economic feasibility of funded projects in SIDS was found to be as high or higher than non-SIDS (Annex 5 Chapter V).

Incremental costs and difficulty in separating development from adaptation. “[B]ecause agreed incremental costs or agreed full costs only cover project costs that are climate-related, any costs that cannot be tied to climate objectives [such as costs for development objectives] are expected to be funded by sources other than GCF.”⁴⁹ The Board retains the discretion to approve funding proposals for full project costs, as provided for in Paragraph 35 of the GI. Many interviewees, including those from country governments, AEs, other development partners and regional experts, expressed the view that in SIDS distinguishing between climate change and sustainable development is challenging – or even impossible – and called for flexibility in the interpretation (see also Chapter V for a discussion on difficulty in separating development from adaptation).

Concessionality. Interviewees and survey respondents raised the point that many SIDS are unable or unwilling to borrow for critical adaptation and mitigation investments, even when they are financially viable at low levels of concessionality – a dynamic that will likely become more pronounced as the COVID-19 pandemic affects SIDS’ public debt. Several interviewees raised concerns that the GCF will not issue grants for renewable energy, even on public buildings, which could limit the ability of some highly indebted SIDS to pursue these types of projects.

Interviewees from AEs also called for clarity and flexibility in the GCF’s application of the principle of minimum concessionality, especially in SIDS. In particular, the point made was that determination of viability should consider both the financial fundamentals as well as the real and current demand for that financing (e.g. the government and private sectors’ willingness to take on debt). The proposed policy on concessionality expects the Secretariat to assess “evidence (e.g. market studies; technical, risk or financial

⁴⁷ Other GCF policies, such as those on risk, environmental and social safeguards (ESS), gender, and indigenous peoples, seem to be generally understood and supported, based on country case studies – although some frustrations were expressed in two Pacific SIDS related to challenges justifying the use of local materials and solutions in light of the ESS policy.

⁴⁸ Among the four mitigation and six cross-cutting projects approved in SIDS, the average cost of reducing each ton of CO₂ equivalent (tCO_{2eq}) is over four times (USD 68/tCO_{2eq}) that in non-SIDS projects (USD 15/tCO_{2eq}) (Annex 5 Chapter III). Interviewees explained that these higher costs were partly justified by the higher cost of operations in SIDS and partly by the co-benefits. Renewable energy projects are vital to SIDS as a means of achieving energy resilience, autonomy and reduced energy costs over the long term.

⁴⁹ Document GCF/B.21/03: Incremental and full cost calculation methodology.

assessments) to inform decisions on the size and type of concessionality alongside the objective of that concessionality.”⁵⁰

Programmatic approach. Country stakeholders, AEs and GCF staff alike see programmatic approaches as a modality that has strong potential to deliver scaled-up climate action in SIDS, as well as a way to overcome high transaction costs, as further discussed in Chapter VI. But the lack of clear policy guidance, including in the draft policy,⁵¹ is limiting AEs’ interest in investing resources to prepare programmes. Interviewees from AEs report that they are waiting particularly for clarity on simplified procedures for appraising and approving subprojects and adding or changing countries that are included in the programme, as well as whether programmes must keep individual subprojects or the total programme value under an AE’s accreditation limit.

Cancellation and restructuring. This policy has had somewhat limited application in SIDS thus far, because few GCF-funded projects are far enough into implementation. However, interviewees from two IAEs raised concerns about the lack of clarity regarding what constitutes a major change and the need to gain GCF Board approval for levels of change (e.g. re-allocating funds among components) that they stated would not trigger restructuring in other international financial institutions. AEs called for the devolution of this function into the Secretariat for greater efficiencies. In SIDS, these concerns are heightened by the urgency for climate action and the high risks of debilitating weather- and climate-related natural disasters (Annex 5 Chapter III). The long timelines between project design and implementation are also of concern relative to restructuring.

2. RESPONSIVENESS TO THE UNFCCC

19. The IEU’s Forward-looking Performance Review (FPR) found that the GCF has been responsive to the Convention, addressing most UNFCCC requests within their expected time frame and in an increasingly efficient manner. Because SIDS are a subset of the developing countries for which the GCF is mandated to provide support, this overall finding of the FPR can be considered to generally apply to SIDS. This evaluation took a deeper look at the GCF’s actions in response to guidance that refers to SIDS, in the context of either SIDS, LDCs and African States, or SIDS and LDCs, as well as on loss and damage, as shown in Table III-2.
20. **Overall, the GCF Board and Secretariat have undertaken several actions in response to COP guidance that references SIDS**, but the outcomes of these actions have only been partially effective. For example, on private sector engagement, COP guidance called for the GCF to develop modalities to support activities enabling private sector involvement in SIDS and LDCs (through accreditation and a request for proposals). The PSAG has developed recommendations for such potential modalities, but these are not yet operationalized. Similarly, the GCF approved the SAP, in accordance with UNFCCC decision 10/CP.22, but these simplified procedures have not yet benefited SIDS.⁵² The sufficiency of these efforts for SIDS are addressed at length in other sections of this report (e.g. Chapter IV on accreditation and access; Chapter V for SAP; Chapter VII for private sector).
21. **In December 2019, COP 25 invited the GCF to continue to provide finance for loss and damage, which is of keen interest to SIDS.** Access to finance for activities relevant to loss and

⁵⁰ Document GCF/B.23/19: Review of the initial investment framework: Matters related to incremental and full cost calculation methodology and policies on co-financing and concessionality.

⁵¹ Programmatic approach policy guidelines are scheduled for 2020. The interviewees referred to the publicly available document, GCF/B.25/08 titled “Policy on programmatic approaches”. This item was not discussed by the GCF Board at B.25.

⁵² IEU, 2020b.

damage and GCF investments have significant implications for long-term adaptation in SIDS. While it is premature to assess the effectiveness of the GCF's response, certain considerations will continue to be at the forefront, as described in Box III-3 below. As the UNFCCC and GCF deliberate on the GCF's role in catalysing finance for activities relevant to averting, minimizing and addressing loss and damage, interviewees called for more direct involvement of SIDS, given their leadership history in this area and their position on the frontlines of climate impacts.

Table III-2. GCF responsiveness to SIDS-relevant COP decisions

COP DECISION	DECISION TEXT	HAS THE GCF RESPONDED?	IS ACTION SUFFICIENT?
Readiness			
UNFCCC Decision 7/CP.20, para. 12	“Also requests the Board of the Green Climate Fund to accelerate the implementation of its work programme on readiness and preparatory support, ensuring that adequate resources are provided for its execution, including from the initial resource mobilization process, providing urgent support to developing countries, in particular the least developed countries, small island developing States and African States, led by their national designated authorities or focal points to build institutional capacities in accordance with Green Climate Fund Board decision B.08/11.”	Yes; in decision B.13/09, the Board decided to expedite support for formulation of NAPs; the Board also approved a revised strategy and additional funding for the RPSP through decision B.22/11.	Mostly. See Chapter V on the adequacy of RPSP support to SIDS.
Accreditation			
UNFCCC Decision 7/CP.20, para. 13	“Encourages the timely implementation of the accreditation framework and requests the Board of the Green Climate Fund, in its implementation, to pay adequate attention to the priorities and needs of developing country Parties, including the least developed countries, small island developing States and African States, emphasizing the need to provide readiness support to those national and regional entities eligible for fast tracking that request it.”	Yes; the GCF provided in-kind accreditation support to entities, including in SIDS (documents GCF/B.23/10 and GCF/B.20/15).	Partially. See Chapter IV on accreditation and DAEs, as well as IEU (2020b).
Private sector			
UNFCCC Decision 7/CP.20, para. 9	“Requests the Board of the Green Climate Fund to accelerate the operationalization of the private sector facility by aiming to ensure that private sector entities and public entities with relevant experience in working with the private sector are accredited in 2015, expediting action to engage local private sector actors in developing country Parties, including small- and medium-sized enterprises in the least developed countries, small island developing States and African States.”	Yes; in decision B.21/16, the Board decided to prioritize applications by private sector entities, and in particular those in developing countries; in decision B.22/16, the Board decided to streamline the accreditation process in order to accelerate the review and consideration of entities applying for accreditation.	Partially. Few private sector entities are accredited in SIDS. PSAG issued recommendations but these have not been operationalized. Pilot programme on MSMEs has not been successful in engaging SIDS. See Chapter VII for private sector engagement.
UNFCCC Decision	“Encourages the Board to implement its decision B.04/08 to develop modalities to support activities enabling private sector involvement in	Yes; in decision B.13/22, the Board approved the MSME	

COP DECISION	DECISION TEXT	HAS THE GCF RESPONDED?	IS ACTION SUFFICIENT?
10/CP.22, para. 11	the least developed countries and small island developing States, and to seek opportunities to engage with the private sector, including local actors, on adaptation action at the national, regional and international levels.”	pilot programme with USD 100 million allocated for particularly vulnerable countries, including SIDS.	
Simplified procedures; readiness			
UNFCCC Decision 10/CP.22, para. 7	“Also requests the Board to take into account decision 1/CP.21, paragraph 64, to enhance the coordination and delivery of resources to support country-driven strategies through simplified and efficient application and approval procedures, and through continued readiness support to developing country Parties, including the least developed countries and small island developing States, as appropriate.”	Yes; in decision B.18/06, the Board approved the SAP pilot scheme; the Board also approved a revised strategy and additional funding for the RPSP through decision B.22/11.	Partially. See Chapter V on readiness and SAP, as well as IEU (2020c).
Loss and damage			
UNFCCC Decision 12/CP.25, para. 21	“Invites the Board of the Green Climate Fund to continue providing financial resources for activities relevant to averting, minimizing and addressing loss and damage in developing country Parties, to the extent consistent with the existing investment, results framework and funding windows and structures of the Green Climate Fund, and to facilitate efficient access in this regard, and in this context to take into account the strategic workstreams of the five-year rolling workplan of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts.”	Yes; in decision B.25/07, Annex I; see Box III-2 below.	Premature to assess; see Box III-3 below.

Box III-3. Loss and damage and the GCF

Background on loss and damage in the UNFCCC. In the UNFCCC, “loss and damage associated with the adverse effects of climate change includes, and in some cases involves more than, that which can be reduced by adaptation” (UNFCCC, 2014, p.6) and includes both economic and non-economic losses (UNFCCC, 2013). Loss and damage has been a controversial issue in global climate change negotiations, given that it is interwoven with issues related to historic responsibility, liability and compensation (Roberts and Pelling, 2016); see also Annex 5 Chapter III. Loss and damage is particularly important to SIDS given their critical vulnerability to climate impacts, including sea level rise, cyclones and drought, and their limited resources to respond to these vulnerabilities. Enabling SIDS to address these impacts will require substantial and sustained international support.

Loss and damage and the GCF. Neither the GCF’s GI nor the Initial Strategic Plan explicitly mention loss and damage. Following the invitation from COP 25 to the GCF to “continue providing financial resources for activities relevant to averting, minimizing and addressing Loss and Damage”, the issue was discussed at B.25. In decision B.25/07, Annex I, the GCF identified actions to respond, including continuing “to provide financial resources in accordance with its existing investment, results framework and funding windows and structures.” The Secretariat already identified several adaptation projects, including some in SIDS, that address areas of loss and damage listed in Article 8, paragraph 4, of the Paris

Agreement. Projects in Timor-Leste (FP109) and Vanuatu (FP035) have components on early warning systems; the Secretariat also pointed to the comprehensive risk management approach in Samoa (FP027) and a component addressing slow-onset events in the Marshall Islands (FP112). Other areas of loss and damage, however, such as irreversible and permanent loss and damage that may require human migration from climate-impacted areas, have not been addressed yet through GCF-approved projects.

This response is echoed in the current draft Updated Strategic Plan, which considers activities relevant to averting, minimizing and addressing loss and damage, and calls for the GCF to collaborate with the UNFCCC and others to help conceptualize relevant investments. Feedback from SIDS, LDCs and AOSIS on this Updated Strategic Plan features loss and damage. SIDS' written feedback on the plan is that the notion of "paradigm shift" should be operationalized to address permanent loss and damage. AOSIS submitted comments emphasizing their expectation that the needs of developing countries for loss and damage support will be considered in the Updated Strategic Plan and that the "GCF will necessarily have to devote resources" to fund loss and damage activities "in particularly vulnerable developing countries." AOSIS's comments further analyse the GCF's programming approaches against the strategic workstreams of the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts' (WIM ExCom) five-year rolling workplan. AOSIS concludes that "there is urgent need for upscaling action and support and for greater clarity, visibility, and broadening of scope within the GCF, consistent with [the WIM ExCom workstreams]." The GCF has engaged with the WIM ExCom for discussions on the guidance from COP 25 related to loss and damage.

Looking forward. Access to finance for activities relevant to loss and damage and GCF investments have significant implications for long-term adaptation in SIDS. While it is premature to assess the effectiveness of the GCF's response to COP 25, it is clear that certain considerations will continue to be at the forefront. One of the major considerations raised in the literature and by interviewees for this evaluation is the need for a clearer operational definition of activities relevant to averting, minimizing and addressing loss and damage (Thomas and Benjamin, 2017; Durand and Huq, 2015). Related to this, some interviewees questioned whether loss and damage can be effectively addressed through the GCF's existing adaptation window.

Another major challenge is related to determining what and how loss and damage can be assessed and attributed to climate change, especially in SIDS where adaptation and development are already inextricably linked (Thomas, Serdeczny, and Pringle, 2020; Hansen and Cramer, 2015). Furthermore, most SIDS lack the historical and baseline data for climate, especially for less populated islands and regions and for slow-onset events, that would contribute to detecting and attributing loss and damage. There is also a significant lack of tracking of the financial costs of loss and damage associated with slow-onset events, especially non-economic losses (Thomas and Benjamin, 2017). An additional consideration relates to current monitoring and evaluation methods and indicators for adaptation projects, as climate risks not pre-emptively addressed by adaptation investments may result in loss or damage in the future.

Sources: Key informant interviews with GCF Secretariat, GCF Board members and SIDS country stakeholders; and AOSIS, 2019; Document GCF/ /B.25/16; Document GCF/B.25/09; Document GCF/B.26/Inf.09; Document GCF/B.21/Inf.03/Add.01; GCF, 2011; GCF, n.d.; Hansen, G. et al., 2015; IOM UN Migration, 2014; Roberts, E. et al., 2016; Thomas, A. et al., 2017; Thomas, A. et al., 2019; Thomas A. et al., 2020; Document FCCC/CP/2019/13/Add.2.

C. KEY FINDINGS AND RECOMMENDATIONS

1. KEY FINDINGS

22. The evaluation team found that discussion on GCF policies make specific mention of the consideration of SIDS and refer to capacity needs. Flexibility is less frequently mentioned and is required in the interpretation and application of GCF policies to account for the specific circumstances of SIDS. The absence of guidance on what flexibility means in practice translates into risk of misinterpretation or misapplication.
23. Half of the policies that are of most concern and interest to SIDS – including incremental costs, concessionality, co-financing and programmatic approach – are yet to be approved by the Board. In particular, lack of clear policy guidance on the programmatic approach is holding back AEs from developing such programmes for SIDS.
24. The GCF has taken actions in response to SIDS-specific COP guidance – which relates in particular to private sector engagement, simplified and efficient access, and readiness and accreditation – but those actions have only partially achieved the intended outcomes, as addressed later in the report.
25. COP 25 invited the GCF to continue to provide finance for activities related to loss and damage, which is of keen interest to SIDS. It is premature to comment on the effectiveness of the GCF's response.

2. KEY RECOMMENDATIONS

26. The GCF Board should finalize key outstanding policies with urgency, especially on the programmatic approach, to help accelerate the development of such programmes in SIDS.
27. The GCF Secretariat should develop internal guidance on interpretation and application of policies – that is, managed flexibility – in consideration of the specific context and challenges in SIDS.
28. The GCF Secretariat should continue to engage with the UNFCCC on loss and damage, and should include SIDS in these important discussions on the role of GCF finance for activities related to loss and damage.

Chapter IV. ACCREDITATION AND ACCESS FOR SIDS

A. INTRODUCTION

1. Direct access is a central part of the mandate of the GCF, and accreditation is central to the business model of the GCF. Other IEU reports have addressed the accreditation function in detail.⁵³ This chapter focuses on access in SIDS in light of their specific needs and urgency of climate action. Specifically, it answers the following questions:
 - Is the process of accreditation responsive to the needs of SIDS?
 - Is the portfolio of AEs suited to the needs and urgency of climate action of SIDS?

B. DATA AND ANALYSIS

1. DIRECT ACCESS ENTITIES IN SIDS

- SIDS, like other recipient countries, can access the GCF through international, regional or national AEs. Direct access is emphasized in the GCF mandate and institution, whereby access to GCF resources is through regional and national AEs.
- Direct access is generally low in the GCF⁵⁴ and exceptionally low in SIDS. In terms of **national DAEs, SIDS lag far behind other GCF-eligible countries (and will likely continue to do so)**. Only 10 per cent of SIDS (four countries) have access through national DAEs – just half the rate of other GCF-eligible countries (Table IV-1). Two national DAEs are in the Caribbean region and two in the Pacific region; no national DAEs have been accredited among the AIS SIDS. As noted below, more than half of SIDS have not nominated a national DAE (a higher proportion than among African States and LDCs), and the nine SIDS-LDCs have submitted only three NDA nominations for accreditation altogether. It is also notable that even if all applicant entities were to be accredited, the coverage of national DAEs will only increase from 10 per cent to 18 per cent.

Table IV-1. Current and potential coverage of SIDS and other countries by DAEs

		GCF-ELIGIBLE COUNTRIES (OF 154)	AFRICAN STATES (54)	LDCs (47)	SIDS (40)
National coverage	Current	21%	20%	19%	10%
	Potential	35%	37%	36%	18%
Regional coverage	Current	58%	75%	57%	82%
	Potential	81%	100%	98%	95%

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Current coverage consists of countries with at least one accredited national/regional entity as of B.25. Potential coverage considers countries with at least one accredited national/regional entity and/or that have at least one national/regional entity with an accreditation application pending. African States, LDCs and SIDS are not mutually exclusive categories.

⁵³ IEU, 2019a; IEU, 2020b.

⁵⁴ IEU, 2020b.

2. **Conversely, Pacific and Caribbean SIDS have access to more regional DAEs than other GCF-eligible countries.** Overall, there are nine regional DAEs accredited in SIDS, which cover over 80 per cent of all SIDS. This reflects the existing regional architecture in the Caribbean and Pacific regions. In the Caribbean, the regional DAEs, Caribbean Development Bank (CDB) and the Caribbean Community Climate Change Centre (CCCCC) each serve 14 Caribbean Community (CARICOM), GCF-eligible member countries.⁵⁵ Similarly, in the Pacific, the regional DAEs, Secretariat of the Pacific Community (SPC) and Secretariat of the Pacific Regional Environment Programme (SPREP) serve their 14 GCF-eligible member countries.⁵⁶
3. **The AIS SIDS are notable for having almost no direct access** (Annex 5 Chapter IV). No national DAEs have been accredited among these nine SIDS, and only two of the AIS SIDS have nominated a national DAE. The one regional DAE (the West African Development Bank, known by its French acronym, BOAD) covers only Guinea-Bissau. The result is that eight AIS SIDS currently have access to IAEs only. An AIS-based regional entity is currently receiving RPSP entity support for the accreditation process, however, and three SIDS are among its member countries.⁵⁷
4. **This lack of available DAEs also reflects in SIDS' projects, which are overwhelmingly implemented by IAEs**, as shown in Table IV-2. On a regional basis, the Pacific SIDS have relied more heavily on IAEs to date, with all but 2 of 13 projects in the Pacific implemented by IAEs. Compared to SIDS in other regions and to non-SIDS, Caribbean SIDS show a higher reliance on their regional DAEs. The AIS SIDS have no projects with DAEs (Table IV-2).

Table IV-2. Approved projects by accredited entity modality, across overall portfolio and for SIDS regions

	INTERNATIONAL	REGIONAL	NATIONAL	TOTAL PROJECTS
SIDS	80%	8%	12%	25
Non-SIDS	80%	6%	14%	114
Mixed	50%	50%	0%	4
Pacific	84%	8%	8%	13
Caribbean	62%	13%	25%	8
AIS	100%	0%	0%	4

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: "Mixed" refers to multi-country projects that involve both SIDS and non-SIDS countries.

5. **Regional entities feature much more prominently in the pipeline, especially when compared with non-SIDS** (Table IV-3). Just 12 per cent of non-SIDS' pipeline projects are with regional entities, compared to 45 per cent of SIDS' projects. This trend is especially pronounced in the Caribbean SIDS, where half of the pipeline sits with regional DAEs. This finding is further supported by the interview evidence, which pointed to the increased importance of regional entities helping SIDS moving forward, particularly in those countries that do not have national DAEs. Indeed, **projects with national DAEs account for a substantially smaller proportion of the pipeline – just 5 per cent – compared with 21 per cent in non-SIDS.** One national DAE project is

⁵⁵ The regional DAE Central American Bank for Economic Integration (CABEI) includes Dominican Republic and Belize as borrowing members; and the Development Bank of Latin America (CAF) includes Barbados, Dominican Republic, Jamaica, and Trinidad and Tobago among its member countries. Fundacion Avina also works in some GCF-eligible SIDS (e.g. Cuba, Haiti, Dominican Republic).

⁵⁶ MCT is a regional DAE for three SIDS in the Micronesia subregion.

⁵⁷ Details withheld for confidentiality.

in the pipeline for Pacific SIDS and two in the Caribbean. This reflects the relatively low coverage of SIDS by national DAEs, as well as capacity challenges discussed further below.

6. As with access to regional and national DAEs, **the AIS SIDS are also substantially underserved in terms of pipeline and approved funding proposals** (Table IV-3). Approved and pipeline projects for the AIS SIDS represent 14 per cent of the total for SIDS, though the region accounts for nearly a quarter of GCF-eligible SIDS.

Table IV-3. Pipeline projects by accredited entity modality, across overall portfolio and for SIDS regions

	INTERNATIONAL	REGIONAL	NATIONAL	UNIDENTIFIED	TOTAL PROJECTS
SIDS	40%	44%	5%	11%	65
Non-SIDS	54%	12%	21%	13%	349
Mixed	55%	18%	0%	27%	11
Pacific	47%	37%	3%	13%	30
Caribbean	31%	57%	8%	4%	26
AIS	45%	33%	0%	22%	9

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: “Mixed” refers to multi-country projects that involve both SIDS and non-SIDS countries.
“Unidentified” refers to pipeline projects for which an AE has not yet been identified.

2. PROCESS OF ACCREDITATION

7. **National entities from SIDS are proportionately underrepresented throughout the process of accreditation.** As shown in Figure IV-1, national entities from SIDS are between 4 per cent and 16 per cent of all national entities at different stages of accreditation, compared to the 26 per cent of all GCF-eligible countries for which SIDS account. **More than half of SIDS have not nominated a national entity**, and only a third of LDC SIDS have nominated a national entity (Annex 5 Chapter IV).
8. Among national entities nominated for direct access, those nominated by SIDS are primarily in pre-application stages; a total of 25 entities are nominated, but only 9 have submitted an application for accreditation. Of the 9 national entities that have applied, 4 have so far become successfully accredited. Additionally, 9 regional AEs operate in SIDS. **For these 13 DAEs, the median time taken for accreditation (application submission to board approval) is 463 days**, which is lengthy but nearly 100 days shorter than that of all accredited DAEs (Figure IV-2).

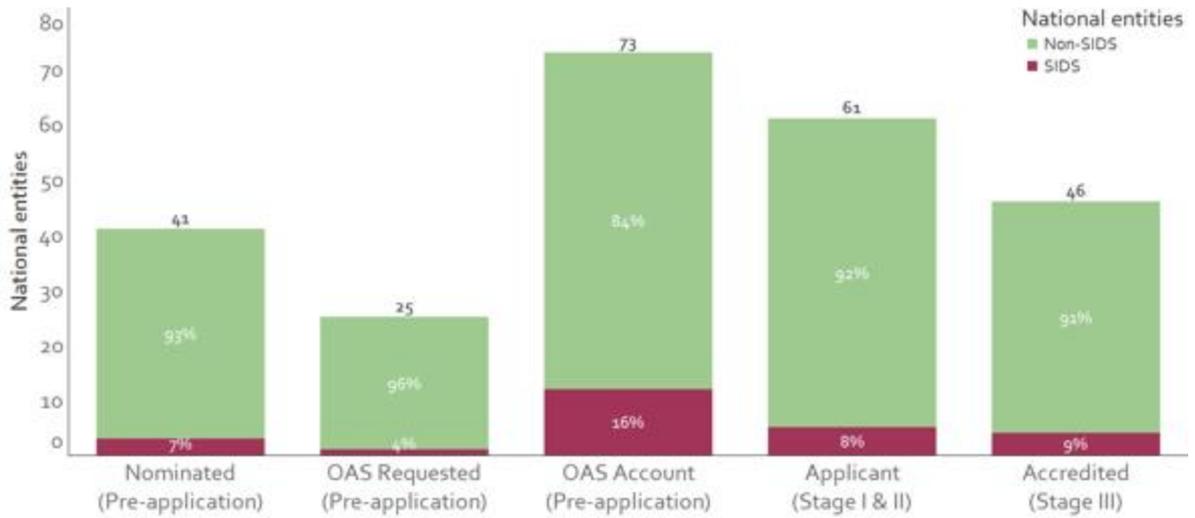


Figure IV-1. Number of national entities at each stage of accreditation

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab.

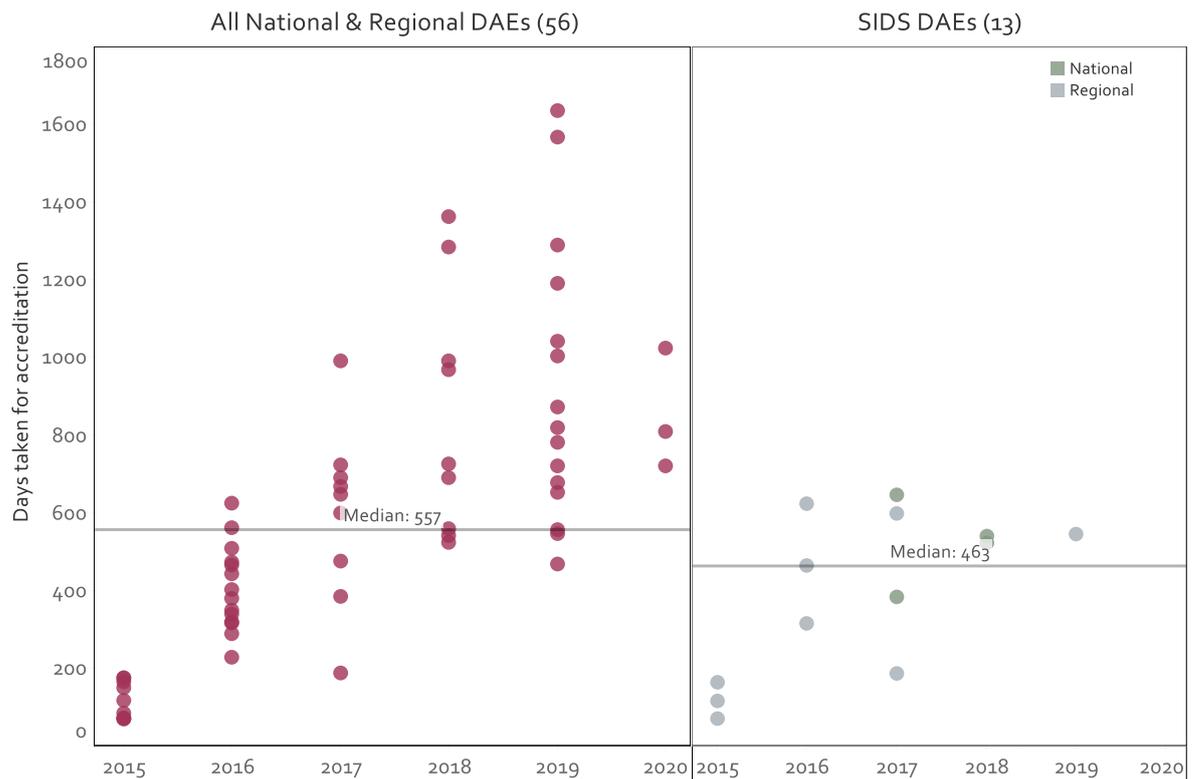


Figure IV-2: Distribution of accreditation duration, from application submission to Board approval, for all DAEs against SIDS DAEs

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of direct access entities.

- Capacity:** Interviews and country case studies point to low human capacity as a primary challenge facing national entities in SIDS to submit accreditation applications. While the challenge of human capacity is not unique to SIDS, it is exacerbated by the small population size of the island countries, which often results in smaller entities and government departments lacking sufficient staff to dedicate to the accreditation process. Interviewees from entities often recalled

cases where only one person worked part-time on accreditation while also maintaining other full-time job responsibilities (e.g. a full-time business development vice-president for a bank also responsible for managing the accreditation process).

10. Some regional differences were also observed. In the Pacific, interlocutors suggested that some countries and entities look to the success stories (e.g. in the Cook Islands) and seek to nominate their own entities for national direct access – without a full understanding of the requirements ahead for accreditation (particularly for project management and safeguards), let alone of the capacities ultimately needed for project development, approval and implementation. In the Caribbean, some entities noted that they had been warned by others not to seek accreditation, given the arduousness of the process. While in the AIS SIDS, the situation is even more nascent, with only two of nine countries having nominated national DAEs, with none having achieved accreditation. In all regions, questions were raised about whether suitable candidates could be identified in some countries – especially some of the smallest Pacific SIDS – given the stringency of GCF requirements (see also discussion in section below).

“Accreditation requires a team to work full-time. [The nominated entity] doesn’t have those people and resources. They work on it with the gaps in their time. I see that more and more as a big problem. They said they’ll have [accreditation] done in six months. Three years later they are still working on it. ... They keep saying they just don’t have time to work on it.”

- External stakeholder in the Pacific

11. **Process of accreditation:** In interviews, entities in SIDS especially pointed to the rigidity of the process as a challenge, as well as to the GCF’s one-size-fits-all approach to accreditation. In contrast, some interviewees highlighted the streamlined accreditation process offered by the Adaptation Fund, which stemmed from the review of a SIDS applicant facing difficulties because of small population, extremely long distances, and limited staff and budget.⁵⁸ Frequent changes or additions to GCF policies or requirements while the accreditation process is under way was also raised by multiple interviewees as a complicating factor. Again, while none of these challenges are necessarily unique to SIDS, they are magnified by the limited availability of staff in SIDS’ entities.

12. **The GCF accreditation process for national and regional entities nominated by SIDS is widely perceived as being too long, although relatively smooth for those national entities in SIDS that have achieved accreditation.** The IEU’s recent synthesis on the GCF’s accreditation function found that the median amount of time taken from an entity submitting an accreditation application to receiving Board approval is increasing over time.⁵⁹ This trend is also relevant for

“Unless we streamline accreditation, we will never find [national] entities. So you end up using [international entities that] may not even have an office in your country. It adds a level to implementation that can sometimes be frustrating.”

- Respondent from a SIDS’ NDA

the experience of SIDS in the GCF. For those national entities that have achieved accreditation, the smoothness may be partly explained by the fact that (a) three of the four national DAEs were already accredited as NIEs with the Adaptation Fund (Department of Environment in Antigua and Barbuda; Ministry of Finance and Economic Management in Cook Islands; and Protected Areas Conservation Trust in Belize),⁶⁰ and (b) all four national entities received readiness support for the

⁵⁸ Adaptation Fund, 2014.

⁵⁹ IEU, 2020b.

⁶⁰ The fourth is the Fiji Development Bank. The regional DAE Micronesia Conservation Trust in the Federated States of Micronesia is also accredited as an NIE with Adaptation Fund. Other SIDS NIEs are not accredited with the GCF at time of writing, including the Planning Institute of Jamaica, the Ministry of Finance and Economic Development in Tuvalu, and the Dominican Institute of Integral Development in the Dominican Republic.

accreditation process, either through the GCF or other delivery channels. Interviewees also expressed the view that the accreditation process was well-managed by the GCF Secretariat, with clear comments and advice.

13. From the perspective of SIDS, there will be benefits from the changes in the GCF accreditation function, including the project-specific assessment approach (PSAA). PSAA is designed to complement institutional accreditation and is viewed by some interviewees to have potential to support SIDS' access to the GCF. The proposal for a PSAA would enable the GCF Secretariat to "simultaneously assess an organization's ability to implement or undertake the proposed project/programme as well as the proposed project/programme itself."⁶¹ This proposed approach (agreed by the Board decision GCF/B.23/11) is seen as highly relevant for small and micro entities in SIDS that may only have the staffing complements to prepare and implement one project at a time. Particularly for SIDS, given the urgency of climate impacts, two critical considerations are that (1) the PSAA accelerate the speed at every stage of the project cycle, from submission to review to approval to disbursement, and (2) support for strengthening capacity for project development and implementation is built into the process.
14. **Overall, the accreditation process itself is not perceived as the chief challenge that SIDS face in accessing the GCF; instead, this challenge is lack of capacity to prepare GCF investment proposals.** The survey of SIDS stakeholders showed that respondents ranked difficulties in achieving accreditation for national DAEs low among the most significant challenges that SIDS face in accessing the GCF (eighth out of nine challenges); lack of capacity to develop proposals to the GCF standard was the top-ranked challenge, as discussed below (see survey results in Annex 2; also Chapter V). **These data, combined with interviews and country case studies, show that the capacities of and incentives for the portfolio of AEs covering SIDS are creating substantial barriers in these countries' ability to access the GCF.**

3. ACCESS THROUGH DIFFERENT MODALITIES

15. In theory, SIDS have access to a pool of AEs that cover all GCF results areas and various categories and sizes of projects, through a combination of IAEs and regional and national DAEs. More than three quarters of respondents to the SIDS stakeholder survey agreed that AEs are suited to meet the needs of SIDS (Annex 2). But the nuances of access are different for different types of AEs.

International accredited entities

16. **In interviews, many IAEs expressed a reluctance to pursue GCF resources for "normal-sized" (e.g. USD 5 million–10 million) projects in SIDS, given the perception of high transaction costs when working with the GCF.** In the words of one interviewee from an IAE, "We are looking for big, transformational projects, so when our clients have smaller, more straightforward projects, we advise our clients to go direct access and do it themselves." Both IAEs and regional DAEs noted that the investment required to develop a GCF project was similar for small projects (e.g. USD 10 million) and larger projects (e.g. USD 50 million) alike – leading to a preference to develop larger projects for cost-efficiency. The perception of transaction costs also relates to stakeholders' views that the GCF project cycle is unpredictable, lengthy, insufficiently transparent and subject to large numbers of sometimes conflicting comments and questions on proposals.⁶² Several interviewees also suggested that SIDS projects may get deprioritized within IAEs' own corporate management structures. Other climate finance studies have similarly concluded that the higher transaction costs

⁶¹ Sources: Document GCF/B.22/14, paragraph 51. IEU, 2020b.

⁶² IEU, 2019a.

for SIDS project proposals can weaken prioritization by multilateral agencies and result in fewer opportunities for funding.⁶³

17. **IAEs report interest in programmatic approaches for SIDS, but the lack of clear GCF guidance (see Chapter III) in this area is a disincentive.** Relatively few programmes have been approved in SIDS compared to non-SIDS (Annex 5 Chapter IV). IAEs reported challenges with previous GCF programmatic approaches in SIDS, including those related to obtaining no-objection letters from multiple countries prior to approval and the need to seek Board approval for subprojects. (See also Chapter VI for a more detailed discussion of the programmatic approach.)
18. Other emerging challenges for IAEs also relate to the availability of IAEs' own resources for some SIDS, which could limit the availability of co-finance, as well as the lending policies of some of the multilateral development banks (MDBs) for certain island states.⁶⁴ This could present an obstacle for pursuing certain types of projects using grant resources. For example, interviewees had the perception that the GCF would not approve grant resources for renewable energy projects, while the ADB has a policy to provide only grant resources to certain islands.
19. **From the perspective of SIDS, interviewees reported a lack of interest from IAEs in supporting country projects.** Interviewees in all three SIDS regions reported instances of IAEs being willing to develop only certain components of a project – leaving countries with the difficult choice of either moving ahead with a project that does not meet all of their national needs or searching for other willing and able entities. Multiple interviewees from SIDS also echoed the sentiment of this interlocutor: “IAEs say they’ll help because the country works with them on other projects and they have good relations [with the government], but actually [the IAEs] wish the country would take the idea elsewhere, and you find out their attitude about it later.” Interviewees from multiple Caribbean SIDS expressed hesitation to work with IAEs, especially United Nations agencies that are perceived as lacking experience in the region and offices in the countries. Interviewees also mentioned that IAEs tried to “fit the country to the project, rather than the project to the country”, in the words of one respondent. This situation has led to frustrations in several SIDS and delays in advancing project ideas into formal concepts and proposals. Still, a perceived lack of interest from IAEs was ranked lowest among the challenges SIDS face to access the GCF, according to SIDS survey respondents (see Annex 2 for survey results).
20. **Another obstacle to engaging with some IAEs is the structural constraints to leveraging existing relationships.** Some interviewees noted that certain IAEs may have existing relationships with the ministries with which they have previously engaged as executing entities on non-GCF-funded activities, but if these ministries are not the same as the NDA, then new relationships and trust must be forged with that NDA. As in other aspects of this evaluation, interviewees emphasized the importance of personal relationships in SIDS for advancing the work.
21. Therefore, although the IAEs continue to dominate the SIDS project pipeline (Table IV-2), this is partly because of the circumstance of access rather than a result of the preference of respondents from SIDS. These considerations may suggest the need for more “matchmaking” support from the GCF Secretariat, a process that is ongoing but can reportedly often be slow.

⁶³ OECD, 2018.

⁶⁴ For instance, “IDA [International Development Association] translates debt distress risk ratings into “traffic lights”, which then determine the share of IDA grants and highly concessional IDA credits for each country. Countries at high risk or in debt distress (red light) can benefit from 100% grants, medium-risk countries (yellow light) from 50%, while low-risk countries (green light) cannot benefit from grants.” For the Debt Sustainability Framework used by the World Bank Group, refer: <https://ida.worldbank.org/debt/debt-sustainability-grants>

Regional DAEs

22. **Regional DAEs are in high demand in SIDS; these entities are often identified as the partner of choice by SIDS, particularly for the Caribbean and Pacific.** In interviews, SIDS stakeholders expressed preferences for working with these regional DAEs when possible, given these entities' knowledge of the specific SIDS context, their technical capacity, their mandate to support member countries, and their strong personal relationships with stakeholders in those countries.
23. **Many regional DAEs have strong incentives – and even mandates – to support their GCF-eligible member countries given their place in long-standing regional cooperative architecture.** In the Caribbean, CARICOM is a regional integration movement that is served by multiple institutions that are either accredited with the GCF (CCCCC, CDB) or receiving support for accreditation through the RPSP. In the Pacific, the SPC and SPREP are intergovernmental organizations that are part of the Council of Regional Organizations of the Pacific architecture. No regional body serves all the AIS SIDS, disadvantaging the region with respect to GCF access. Given their governance structures, some regional DAEs also face challenges with navigating relationships with their member countries, who are effectively their shareholders, in terms of pushing back on nationally driven project concepts that may be of lower quality or not aligned with the GCF's perspective on overall national vulnerability to the impacts of climate change. In the GCF architecture, regional and national entities are both regarded as DAEs, and the pool of DAEs in SIDS is not large enough for this evaluation to compare the effectiveness of regional and national DAEs.
24. Many of these regional DAEs serving SIDS – such as CCCCC, SPC, SPREP or potential DAEs – have strategic objectives focused on climate change and well-respected technical staff to support this work. They also have a history of executing climate interventions with support from development partners, although not all have worked with the volume of funding typically available through the GCF.

National DAEs

25. As shown in the previous section, national DAE coverage is much lower in SIDS than in other countries, even accounting for all the entities not yet accredited. Several factors contribute to this reality. The first is that some SIDS, particularly LDCs and microstates, lack entities that are capable of meeting GCF requirements. Several interview respondents asserted that although most SIDS had a national desire to have direct national access, it would not be feasible for some countries given the current complexion of potential candidates and GCF requirements. The second is that even when an entity is identified, they struggle to successfully complete accreditation applications for submission, as discussed in the previous section.

4. CAPACITY AS A BARRIER TO ACCESS

26. **Accreditation level barriers: The accreditation level of available DAEs limits the extent to which SIDS can meet their national climate needs through direct access,** as shown in Table IV-4 **Error! Reference source not found..** In the Pacific, no DAE (regional or national) is accredited for the highest environmental and social safeguards (ESS) risk projects. Lack of DAE access to non-grant financial instruments is also especially pronounced in the Pacific SIDS.
27. Just two DAEs are accredited for large projects in SIDS, thus providing limited coverage in the Caribbean. Further, SIDS are limited to low-risk projects if they wish to use DAEs. The challenge of scale is especially an issue in the context of regional projects. While regional DAEs do present the

(potential) opportunity to aggregate resources and benefit from scale economies,⁶⁵ numerous respondents expressed concerns about whether their relatively small scale of project size accreditation (e.g. USD 10 million–50 million) could provide much on-the-ground impact. There was a perception that this level of resources, with the high transportation and transaction costs of working in the regions, would translate into limited benefits for local beneficiaries beyond perfunctory studies and workshops. Further, some regional DAEs recalled pressure, by virtue of their mandate, to distribute coverage of projects to ensure that more of their member countries get “a piece of the pie”, even if it is small.

Table IV-4. Accredited DAEs that cover SIDS

	STATUS	SECTOR	SIZE	ESS	NON-GRANT FINANCIAL INSTRUMENTS	NO. OF SIDS COVERED	STAFF FOCUSED ON THE GCF
Regional DAEs							
BOAD	AMA effective	Public	Medium	B/ I-2	L, G	1	No information
CABEI	AMA effective	Public	Large	A/ I-1	E, L, G	3	No information
CAF	AMA effective	Public	Large	A/ I-1	E, L, G	4	No information
CCCCC	AMA effective	Public	Small	B/I-2	--	7	4 people covering all sectors and 14 countries
CDB	AMA effective	Public	Small	A I-1	E, L	14	2 full-time staff working on climate finance issues not exclusively for the GCF, out of an Environmental Sustainability unit of 7 core staff
MCT	AMA effective	Public	Micro	C/ I-3	--	3	Five staff involved on a part-time basis (i.e. significant other responsibilities)
OSS	AMA effective	Public	Micro	B/ I-2	--	2	No information
SPC	AMA effective	Public	Small	B/ I-2	--	14	Climate unit with 4 people in charge of climate finance; one person responsible for strategic engagement with the GCF
SPREP	AMA effective	Public	Medium	B/ I-2	--	14	Managed by 2 staff, with support from additional staff
National DAEs							

⁶⁵ IEU, 2020b.

	STATUS	SECTOR	SIZE	ESS	NON-GRANT FINANCIAL INSTRUMENTS	NO. OF SIDS COVERED	STAFF FOCUSED ON THE GCF
DOE Antigua & Barbuda	AMA effective	Public	Small	B/ I-2	L	1	About 5 individuals in the project management unit; input from other staff; increased up from 2
PACT	AMA effective	Public	Micro	C/ I-3	--	1	1 full-time staff
MFEM Cook Islands	AMA effective	Public	Small	C/ I-3	--	1	2 full-time staff working on GCF project development
FDB	AMA effective	Public	Small	B/I-2	E, L, G	1	1 part-time and 1 full-time staff

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab; Key informant interviews; IEU, 2019b.

Note: E = Equity; L = Loans; G = Guarantee.

28. **Human and financial capacity barriers: The main challenges reported for the regional DAEs are human and financial resource constraints.** As the AEs of choice for many SIDS, the regional DAEs do not have the necessary staffing levels to provide a project to each of their GCF-eligible member countries at least every replenishment cycle (i.e. one per country per four years), and even this minimum is not seen by interviewees as representing good access to the GCF. These entities typically have fewer than five full-time staff working either on GCF project development or responsible for the GCF plus all other climate finance delivery partners (see Table IV-4). This poses natural limits to the number of projects that these entities can develop and implement with the GCF. Building up larger staff complements is a process that requires time and more confidence than regional DAEs currently have in terms of reliable access to the GCF. Some regional DAEs were described as “overwhelmed” by multiple interviewees, and frustrations were noted among some countries that had experienced slow responses from regional DAEs, likely due in large part to the number of requests they are fielding.
29. **National DAEs are constrained by human capacity within their organizations and, more specifically, a lack of capacity for writing project proposals that respond to specific GCF criteria.** One interviewee from a SIDS national DAE reported a lack of climate change expertise that would enable it to demonstrate overall national vulnerability to the impacts of climate change. Another interviewee from a national SIDS DAE reported a lack of capacity around ESS, gender and cost-benefit analysis – not only in their organization but also in their country. One external partner identified a lack of project design and management skills, such as developing theories of change and consultant terms of reference.
30. National entities also report that they struggle on their own to identify outside technical experts to provide the necessary inputs to meet GCF proposal requirements and to ensure the quality of those consultancy inputs. For some national DAEs in SIDS, even with the lowest accreditation level, a SAP project for USD 10 million would represent a significantly larger project than they are accustomed to, presenting a further challenge given thin human capacity.
31. Among SIDS, a pattern appears to be emerging where particular countries that have a history of stronger and deeper capacity are demonstrating that they can access the GCF (such as Antigua and

Barbuda, Fiji, Cook Islands). The national DAEs in SIDS that have been successful in accessing the GCF have moved away from a single-person model, recognizing that their team and capacity had to be amplified. But this is an exception rather than the norm, and an approach that has benefited greatly from internal resource investment, high-level political support and a strong vision for growing the climate finance team.

32. Interviewees also report a currently limited availability in the SIDS regions of the kind of qualified consultant support that could help overcome capacity constraints within DAEs. Multiple interviewees explained that in the Caribbean, GCF expertise is very limited and expensive. Calls for proposals sometimes go unanswered. Interviewees pointed to the parallel experience of the GEF, where it took up to a decade to develop a cadre of local and regional consultants that knew the GEF's processes and requirements and how to write a high-quality GEF proposal. Not only is the availability of quality consultants limited, but regional DAEs struggle with the trade-off between cost and length of the consultancy. For instance, a DAE may hire a consultant to prepare a concept note (CN) but may lack the resources to retain that consultant for the full GCF review period.
33. Accelerating accreditation of other entities can also play some role in balancing supply of and demand for DAEs. There are additional regional entities potentially interested in accreditation in the Caribbean and others already seeking accreditation. But it is not likely to be the complete answer. Those entities are seen as likely to face similar capacity challenges and require long-term support as well.
- “We need more entities based in the region, people that are from the region, who have relationships with people in the region, who are more open to countries having a say in what needs to be done and how it needs to be done”
- A Caribbean stakeholder
34. **Role of readiness: The RPSP has only been partially successfully in addressing these constraints for SIDS regions.** One reason is that the RPSP is one of the contributors to overwhelming the capacity of regional DAEs because those entities are serving both as primary RPSP delivery partners for SIDS and the preferred AEs for GCF investment projects. CCCCC, for example, is delivering or has delivered 12 RPSP grants for Caribbean SIDS, while also being the identified AE for many. An RPSP grant to build regional DAE capacity also represents yet another financial instrument that must be administered by the DAE (e.g. audited financial statements, reporting), if serving as the delivery partner. Less than half of respondents to the SIDS stakeholder survey agreed that the GCF provides sufficient support for DAEs in SIDS to achieve accreditation (see Annex 2 for results of the survey).
35. **Regional DAEs, especially in the Pacific, also report challenges in accessing RPSP funds through NDAs.** Although countries rarely use their full USD 1 million allocation for the RPSP each year, interviewees from DAEs report some reticence on the part of NDAs to allocate funds for entity support. In the Caribbean, on the other hand, several RPSP grants for regional entities have been supported in a cooperative fashion, with multiple NDAs contributing funds from their national RPSP allocations. The Indian Ocean Commission has received readiness support for accreditation from the allocation of one of its member states, Seychelles. Some regional DAEs have also noted that preparation of CNs supported through RPSP funds, without the involvement of the regional DAE as delivery partner, has led to misunderstandings and additional burdens at the project design stage. Often CNs had to be adjusted to present a strong proposal for the GCF.
36. The GCF's current approach to bridging the capacity gaps is not necessarily well suited to the challenges of SIDS. More capacity-building through workshops and trainings does not help resolve the issue of limited number of staff, and the support provided is not always sufficiently hands-on, as discussed at length in Chapter V.

Box IV-1. Perspectives on capacity in the SIDS DAEs

“We don’t have the absorption capacity on the ground. Maybe in a few years, as we grow. [We’re] looking at our organizational capacity. We’re really taking in grants like USD 100,000 to USD 700,000. SAP for USD 10 million will be the biggest we’ve ever had. So how do we have to restructure internally, where do we have to beef up staff?”

“We are now being asked by [two SIDS to develop projects], and we have 13 people, and all are working on 20 active grants from other donors. Everyone is working more than 100 per cent. So even when we have ability to write proposals, it’s not feasible in terms of time, and this will be the fact for a while. So, we will continue to need the support for a while, through [the RPSP].”

Source: Interviews with staff in two SIDS DAEs.

37. Like previous IEU evaluations, this evaluation found important instances where accreditation contributed to building certain institutional capacities of national entities. For example, a DAE in the Pacific mentioned the accreditation process strengthened their social and environmental responsibility policies and safeguards. **But an important distinction is that the capacities strengthened through accreditation are not those that necessarily enable entities to develop CNs and funding proposals for the GCF.**
38. Currently, the **RPSP is not systematically and efficiently bridging this gap between accreditation and the capacity to actually access the GCF.** SIDS DAEs are experiencing long gaps between conditional accreditation and the approval of post-accreditation RPSP support, of up to one to two years, as described in Box IV-2. In the absence of RPSP support, several DAEs have received support from other organizations, such as the United States Agency for International Development (USAID) Climate Ready project in the Pacific. As a respondent from one SIDS national DAE summed it up: “Getting accreditation is one thing, but the GCF should identify how to guide capacity beyond accreditation.” The capacity constraints of SIDS are also discussed further in Chapter V.

Box IV-2. Post-accreditation RPSP support for SIDS’ DAEs

Fiji Development Bank (FDB). The FDB experienced a two-year gap between Board accreditation and RPSP support for pipeline-related capacity development (Board accreditation in October 2017; accreditation master agreement signed in November 2018; RPSP proposal submitted in May 2019 and approved in October 2019). Nearly three years after accreditation, in August 2020, the FDB had its first funding proposal approved by the Board.

Micronesia Conservation Trust. The Trust had a nearly two-year gap between Board accreditation and post-accreditation support through the RPSP (Board accreditation in July 2017; RPSP proposal submitted in August 2018 and approved in April 2019). In May 2020, MCT submitted its first SAP CN.

Ministry of Finance and Economic Management (MFEM) of the Cook Islands. MFEM was accredited in October 2018 and has not submitted RPSP grant post-accreditation.

Protected Areas Conservation Trust. The Trust experienced a one-year gap between accreditation and the approval of RPSP support for meeting its accreditation conditions; strengthening its capacity to identify, design and implement projects; and drafting its entity work programme (Board accreditation in October 2018; RPSP proposal submitted in June 2019 and approved in October 2019). The Trust has not yet submitted a CN or funding proposal to the GCF.

Source: IEU, 2019b; country case studies (see Annex 4)

Note: MFEM has three approved RPSP grants as of July 31st, 2020. Two RPSP grants have been approved before accreditation and one RPSP grant was submitted before accreditation but approved after its accreditation.

C. KEY FINDINGS AND RECOMMENDATIONS

1. KEY FINDINGS

39. The emerging patterns in the portfolio of available AEs suggest that the current GCF model for access and accreditation is a disadvantage to SIDS with lower capacity, experience or confidence to access the GCF on their own.
40. National DAE access is extremely limited in SIDS. Just 4 of 40 SIDS have a national DAE. Less than half of SIDS – and only a third of LDC SIDS – have nominated a national DAE. National entities nominated in SIDS have not succeeded in preparing and submitting accreditation applications due to thin human resource capacity.
41. Regional DAEs cover most SIDS and are often preferred by SIDS. However, many regional DAEs are overwhelmed with requests for both RPSP and project development relative to their staff capacity. SIDS also face the limitations of regional DAEs' accreditation statuses.
42. Staff from many IAEs report being disincentivized to support SIDS' proposals because of the high transaction costs for working with the GCF to pursue the smaller size projects that are typical for SIDS. Some respondents from NDAs mentioned difficulties in finding an IAE willing to carry forward a national priority project.
43. While the accreditation process is perceived as too long, it is not the chief challenge that SIDS face in accessing the GCF; instead, this challenge is lack of capacity to prepare GCF investment proposals.
44. The RPSP is not currently systematically and efficiently bridging the gap between the capacities strengthened through accreditation and the capacities needed to prepare and implement a GCF-funded project. DAEs in SIDS are experiencing long gaps between Board accreditation and the approval of post-accreditation RPSP support. Regional DAEs in the Pacific report challenges in accessing RPSP support to build their capacity.

2. KEY RECOMMENDATIONS

45. The IEU's synthesis of the GCF's accreditation function recommended that the GCF Secretariat improve the efficiency of the accreditation process. This remains important for SIDS. The PSAA could be an option for SIDS entities that only have the staff to handle one project at a time – but only if the PSAA can accelerate the project cycle, from accreditation through to disbursement.
46. The IEU's accreditation synthesis also recommended that post-accreditation support for DAEs be strengthened, including through devoting resources to build the capacity of new DAEs to propose projects to the GCF. This evaluation has shown that this is especially critical for SIDS. The GCF Secretariat should consider incorporating a milestone-based release of funds for CN development into RPSP grants for pre-accreditation support. In practice, this would allow a small amount of resources to be released to DAEs upon Board accreditation for a specific use: preparation and submission of a CN.
47. The GCF Secretariat should consider opportunities to expand the roster of high-quality RPSP delivery partners, to enable regional DAEs to prioritize support for project development and implementation, given the human resource bottlenecks many of these entities are facing. The Secretariat should also create a regional window through the RPSP to facilitate access to entity support for regional DAEs. (See also capacity recommendations in Chapter V.)

48. The GCF Secretariat should provide more “matchmaking” support for IAEs and SIDS, to help enable IAEs to identify and develop the larger, higher-risk projects that they are uniquely accredited for among the AEs available to SIDS. Once the GCF Board approves a policy on programmatic approaches, the Secretariat should prepare clear policy guidance for AEs.

Chapter V. THE GCF'S PORTFOLIO IN SIDS

A. INTRODUCTION

1. The GI of the GCF recognizes the urgency and seriousness of climate change and provides that the Fund will consider the needs of particularly vulnerable countries. This chapter reviews the relevance and effectiveness of GCF processes, programmes and modalities for the individual needs of SIDS and the urgency of required climate action. Specifically, it answers the following questions:
 - What role is the GCF playing in channelling new, additional, adequate and predictable financial resources? And to what extent has the GCF catalysed climate finance from and for SIDS, both public and private?
 - Have GCF programmes and windows contributed to a pipeline of climate finance for SIDS?
 - To what extent are GCF processes, programmes, funding windows and modalities responsive to SIDS' needs and the urgency of required climate action? Are they accessible and is it feasible for SIDS to successfully navigate them? Are they matched to SIDS' capacities?

B. DATA AND ANALYSIS

1. CHANNELLING NEW AND ADDITIONAL FINANCIAL RESOURCES INTO SIDS

2. The SIDS portfolio is relatively small, but with some interesting nuances. **The GCF Board has approved 29 projects that include SIDS. The combined portfolio of these projects is USD 818 million**, representing some 13 per cent of the total approved GCF resources (see Table V-1), while SIDS represent about a quarter of GCF-eligible countries (40 of 154). SIDS have received proportionately fewer resources than non-SIDS on a per-project basis, but substantially more finance than non-SIDS on a per capita basis (see Annex 5 Chapter V).
3. **Co-financing of USD 1.248 billion has also been committed to SIDS**, representing a ratio of USD 1.6 co-financed for every GCF dollar. This is significantly lower than the co-financing ratios in GCF non-SIDS projects, as well as in SIDS projects funded by the GEF (4.6:1) and the CIF (2.6:1) (see Annex 5 Chapter VI). Bilateral agencies and MDBs have provided the majority of GCF co-financing for SIDS (see Annex 5 Chapter V).

“A bit more flexibility on the issue of concessionality, and the principle of minimum, and how it's applied as well as a bit more clarity here would be useful.”

- Respondent from a SIDS implementing entity

“[In the regional working group, colleagues agreed] there was a demand for innovative financial instruments to catalyse investment among SMEs.”

- Respondent from a SIDS RPSP delivery partner

6. **SIDS have received considerably more of their GCF allocations and co-financing via grants when compared to non-SIDS, with the remainder of GCF investments delivered via loans** (see Annex 5 Chapter V). This is the current approach and reflects the situation in many SIDS, where external and domestic debt distress is a key barrier to accessing non-grant finance for climate

action.⁶⁶ The high proportion of grants is also related to the fact that **more than 60 per cent of the SIDS portfolio is used for adaptation (including cross-cutting projects)** – a higher proportion than in non-SIDS (see Figure V-1). Nonetheless, the GCF is able to provide funding through a variety of financial instruments, including non-debt instruments.⁶⁷ Interviewees pointed out that flexibility with concessionality, along with innovative financial instruments to catalyse investments in SIDS (in particular for the local private sector), are key. The GCF has not been able to fully translate this into practice. The SIDS pipeline and approved projects are still narrowly focused on grants or debt instruments. Given the specific context of SIDS in the three regions, a far more nuanced approach might be necessary.

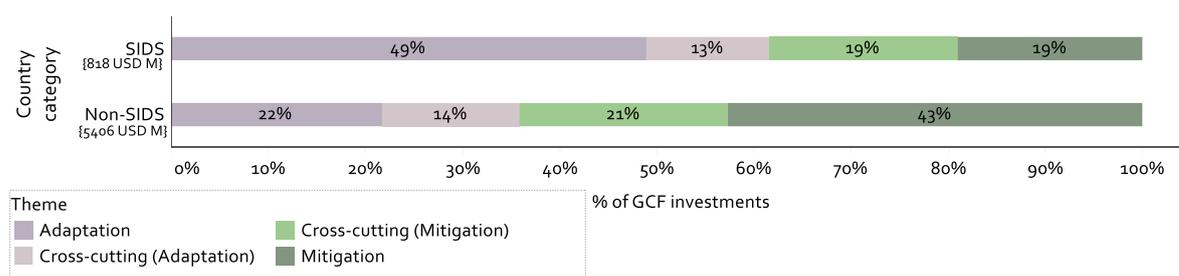


Figure V-1. Percentage of GCF investments in SIDS by area

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Most SIDS-only projects are single-country, public sector projects (managed by the Division of Mitigation and Adaptation (DMA)) (see Figure VII-2).

Table V-1. Total approved resources for SIDS and non-SIDS

CATEGORY	NUMBER OF APPROVED PROJECTS	APPROVED GCF RESOURCES (USD MILLION)	AS A PERCENTAGE OF TOTAL APPROVED GCF RESOURCES	CO-FINANCING (USD MILLION)
Projects with SIDS only	25	756	12%	1,180
Projects with SIDS and non-SIDS (mixed)	4	408 total (62 for SIDS)	7% total (1% for SIDS)	581
Projects with non-SIDS only	114	5,061	81%	13,175
Total	143	6,224	100%	14,936

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: The above table shows the projects with SIDS only, mixed and non-SIDS only. Project co-financing for the SIDS-only categories is USD 1,180 million. Overall co-financing in SIDS, including the portion of SIDS co-financing components in mixed projects is USD 1,248 million.

- Approved and disbursed funding varies substantially among individual SIDS and regions (see Annex 5 Chapter V).** Thirty of the 40 GCF-eligible SIDS have an approved GCF-funded project. A further 10 of these 30 SIDS are only covered by multi-country projects, and 7 are among those with the lowest (or no) disbursement rate (see Annex 5 Chapter V). **The majority of approved and disbursed resources have so far been for the Pacific region, followed by the Caribbean region**

⁶⁶ OECD, 2018.

⁶⁷ Decision GCF/B.04/07; and GCF/B.04/06 “Business Model Framework: Financial Instruments”. The document outlines the following options as instruments, grants, concessional lending, guarantees and equity investments.

(see Figure V-2). The higher amount for the Pacific reflects a larger number of approved projects (13, compared to 9 and 7 for the Caribbean and AIS, respectively), as well as slightly larger project sizes on average, which is driven in part by the greater use of IAEs in the region.

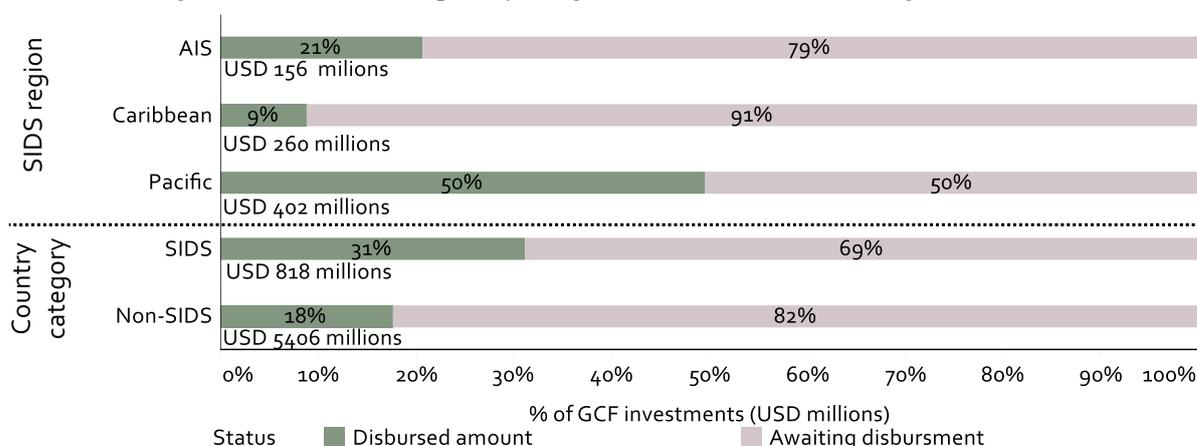


Figure V-2. Percentage of disbursement in SIDS by region and by country category

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

8. **Although the overall portfolio is relatively strong, SIDS are comparatively underrepresented in the pipeline.** As shown in Table V-2, SIDS represent just 12 per cent of pipeline funding proposals and 17 per cent of pipeline CNs. **The pipeline in AIS SIDS is the least robust, with an overall average of 2.0 projects compared with 4.2 projects in the Caribbean and 4.7 projects in the Pacific.** Across all regions, **very few pipeline projects are with private sector entities** (see Annex 5 Chapter V; see also Chapter VII).
9. Interviewees in the countries have pointed out that, while some country-programming exercises helped build a pipeline, **stakeholders are concerned about the robustness of such a country-programming approach and the resulting pipeline.** The development of CNs is not attracting interest from potential AEs who might bring these concepts to the GCF and manage their implementation successfully. Others may even be left behind after the completion of country programming at the national level.

Table V-2. Proportion of SIDS projects in the GCF pipeline, by stage

COUNTRIES	APPROVED FUNDING PROPOSALS	PIPELINE FUNDING PROPOSALS	PIPELINE CN	PIPELINE PROJECT IDEA	WITHDRAWN/LAPSED
Total projects	143	91	316	18	222
SIDS	17%	12%	17%	6%	22%
Non-SIDS	80%	81%	81%	94%	76%
Mixed	3%	2%	2%	0%	2%

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Mixed projects include SIDS and non-SIDS; funding proposals/CNs and project ideas with no country attached are excluded from this analysis. Although SIDS represent a higher proportion of withdrawn or lapsed projects, a closer examination of these data show that is because one SIDS submitted and withdrew a large number of CNs in 2017.

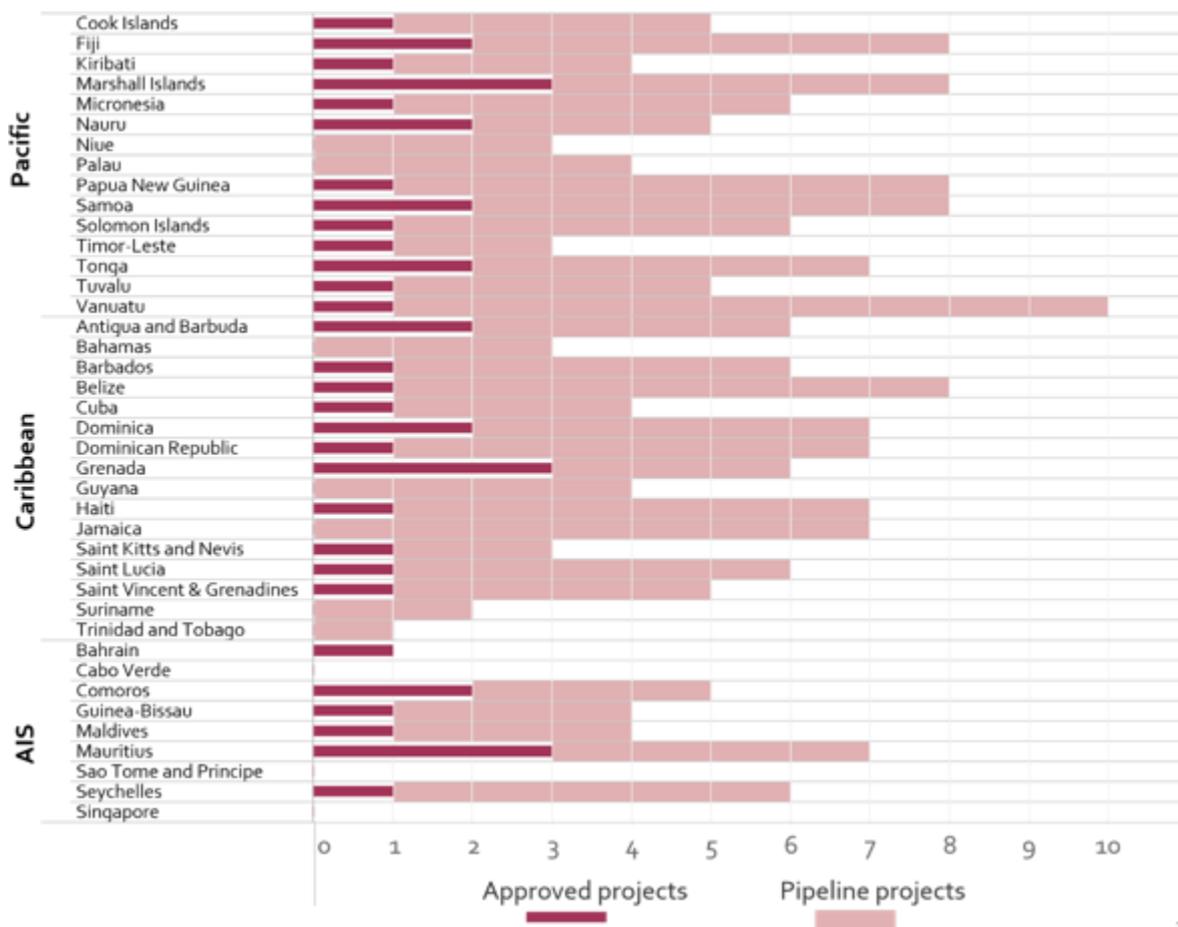


Figure V-3. Approved and pipeline projects by individual GCF-eligible SIDS

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

2. RESPONSE TO THE URGENCY OF CLIMATE ACTION

10. **Although project approval has been faster, on average, in SIDS than in non-SIDS, the full PAP and the SAP are both widely perceived as taking too long to be considered responsive to the urgency of climate action in SIDS.** As shown in Figure V-4, approval for SIDS projects takes approximately 6 months for medium-sized projects and 9 months for small projects – contrary to the expectation that smaller projects should be simpler and faster to approve. However, median approval time for both small- and medium-sized projects is about 70 days less in SIDS than it is in non-SIDS. These processing times are faster relative to the overall GCF portfolio but are regarded by stakeholders and respondents as being too slow (Annex 2).

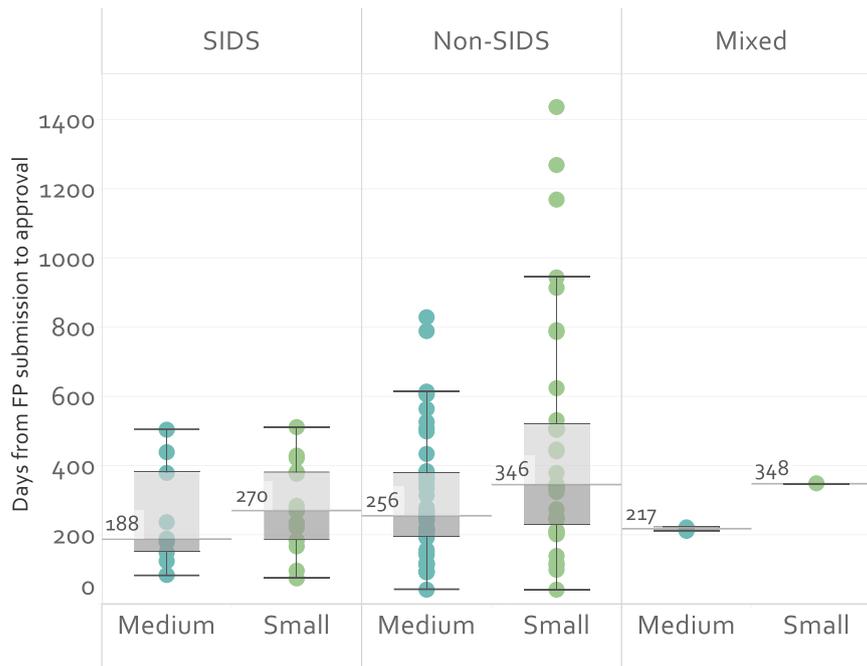


Figure V-4. Time taken from submission of funding proposal to Board approval across project size for SIDS and non-SIDS

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Only small- and medium-sized projects were used for the comparison because 23 of the 25 SIDS-only projects are small- and medium-sized. Both PAP and SAP projects are included.

11. **Overall, SIDS respondents reported similar concerns for the GCF PAPs to those described in the IEU’s recent FPR and SAP review.** These include (a) duration of the overall processes; (b) the granularity of detailed design required prior to approval, compared to other funders; and (c) the nature of the review process, with a high volume of comments from the GCF, which at times are contradictory and create an imbalance between the demand from the GCF for rapid responses from countries (i.e. within 48 hours) with slower response times from the GCF itself. Pacific, Caribbean and global interviewees pointed out that these inefficiencies require more project development resources than for other climate and multilateral funds, without achieving more robust or technically superior proposals. There are two specific GCF modalities of interest to SIDS (the SAP and RfPs), but both fare poorly.

a. Simplified approval process

12. **The SAP modality is seen as highly relevant for SIDS but not yet sufficiently simplified to accelerate climate action in SIDS.** Interviewees recalled that SIDS were among the original champions of the SAP in international discussions and forums. As the IEU SAP review found,⁶⁸ there was a general expectation (even from some Board members) that the SAP modality would be used for countries that have limited capacities to design and implement GCF projects, such as SIDS and LDCs. Interviewees in this evaluation expressed hope that the SAP would help address the urgency of climate change in SIDS. The SAP was also seen as a modality for ensuring outer island communities could get much-needed resources via a smaller and simpler mechanism, or to upscale previous successful projects with less effort. Yet, the IEU SAP review found that the simplified

⁶⁸ IEU, 2020c.

process was not significantly shorter than regular project approval; the SAP was neither simplified nor fast nor focused on the scaling up of projects.

13. **Although SIDS have been underrepresented in the SAP relative to expectations (just three projects approved), SIDS are expanding their SAP pipeline.** Among SIDS, the proportion of SAP projects has increased to 31 per cent in the pipeline, up from just 12 per cent of projects approved (see Annex 5 Chapter V). Regional DAEs in SIDS are particularly looking to the SAP given their accreditation levels and capacities, and in higher proportions than for non-SIDS, as shown in Figure V-5. However, many national and regional DAEs reported difficulties even in preparing SAP project proposals because the SAP requires a similar level of preparation and appraisal as a full proposal. Interviewees from DAEs reported pushback from the GCF Secretariat on the omission of optional annexes to the SAP template (e.g., for ESS).

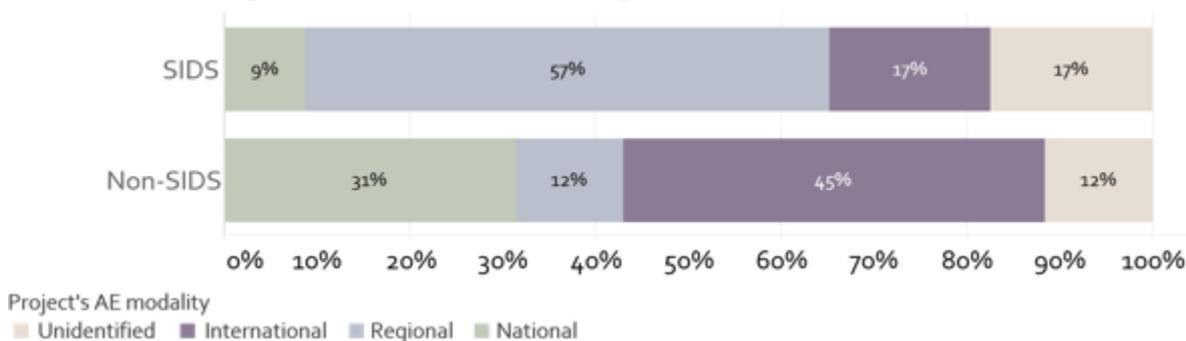


Figure V-5. Proportion of approved and pipeline SAP projects associated with IAEs and DAEs

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

b. Request for proposal programmes

14. **The request for proposal (RfP) programmes have not been successful in developing a project portfolio or pipeline for SIDS and have not responded urgently.** Two such funding proposals have been approved in SIDS – one under the Mobilizing Funding at Scale pilot programme and the second as an EDA project, as shown in Figure V-6.

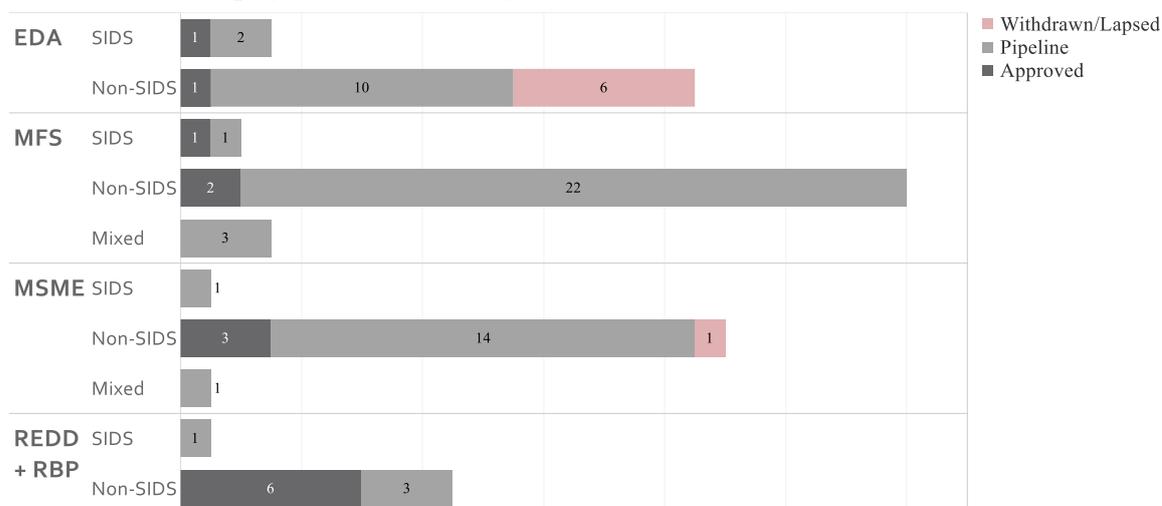


Figure V-6. Approved and pipeline RfP projects in SIDS and other countries

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Eight pipeline RfPs have no countries identified. REDD+ RBP refers to the pilot programme for REDD+ results-based payments.

15. The Micro-, Small- and Medium-sized Enterprises (MSME) pilot programme was launched with the explicit intention to allocate at least USD 100 million for developing countries that are particularly vulnerable to climate change, including LDCs, SIDS and African States. But **no SIDS MSME projects have been approved, and only one is in the pipeline**. This reflects, in part, other broader challenges in engaging the private sector in these countries (see also Chapter VII).
16. **The RfP EDA modality is perceived to be highly relevant for SIDS**, as it (a) offers an opportunity to work at the grass-roots level with local communities, indigenous populations and the local private sector, and to leverage traditional knowledge and practices on how to adapt to climate change; and (b) is closer to how some DAEs normally work (e.g., on granting to local communities and civil society organizations (CSOs)). The majority of SIDS DAEs consulted for this evaluation were either considering or pursuing the EDA modality.
17. However, **guidance on EDA has been a long time coming**. Guidance for DAEs on how the preparation of EDA projects may differ from other projects is currently being drawn up by the GCF Secretariat team working on EDA – a team that was formed only in 2020, nearly five years after the Board approval of the EDA modality. Multiple entities also expressed concerns that the GCF reporting requirements may make it challenging to engage with many small organizations, as they see a disconnect between the perceived procedural complexities of the GCF and the practicalities of making the money flow down to grass-roots organizations that have low administrative capacity. The Secretariat shares these concerns to some extent, given that a larger number of entities would report on one single GCF-funded EDA project and the monitoring and accountability framework has yet to be fully operationalized. The approved SIDS EDA, implemented by the Department of the Environment in Antigua and Barbuda, has progressed slowly due to the differing levels of readiness in the CSOs of the three participating countries, and also due to political realities (e.g., change of administration in Dominica and a freeze on hiring civil servants in Grenada).

3. CONTRIBUTION OF GCF PREPARATORY PROGRAMMES TO THE SIDS PIPELINE

a. Readiness and Preparatory Support Programme

18. **SIDS have received an appropriate proportion of RPSP funding**. Some USD 59.3 million has been approved for 36 SIDS, as shown in Table V-3, representing 22 per cent of total RPSP funds approved for all countries. Considering the smaller size of SIDS and the fact that individual RPSP grants are on average smaller for SIDS, this proportion compares favourably with the proportion of SIDS among GCF-eligible countries (26 per cent).
19. **The level of resources approved and disbursed, however, varies significantly among SIDS countries and regions**. The AIS SIDS have received proportionately less RPSP funding, while Caribbean SIDS have received proportionately more. Some individual SIDS (e.g., Antigua and Barbuda, Dominica, and Haiti) have more than USD 4 million in approved RPSP grants, while others (Maldives, Guinea-Bissau, Suriname) have less than USD 500,000 (see Annex 5 Chapter V). The disbursement of the RPSP, however, is limited, with only 43 per cent having been disbursed.

Table V-3. RPSP funding approved and disbursed in SIDS regions (USD million)

	AIS (6)	CARIBBEAN (16)	PACIFIC (14)	TOTAL (36)
Number of SIDS with RPSP grants in each region as a percentage of all GCF-eligible SIDS with the grant	17%	44%	39%	100%
Approved (USD million)	5.8	35.6	17.9	59.3
<i>As a percentage of SIDS total</i>	<i>10%</i>	<i>60%</i>	<i>30%</i>	<i>100%</i>
Disbursed (USD million)	2.0	15.4	8.4	25.8
<i>As a percentage of SIDS total</i>	<i>8%</i>	<i>60%</i>	<i>33%</i>	<i>100%</i>

Source: Fluxx RPSP data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parenthesis denote the number of SIDS with RPSP grants. There may be rounding errors.

20. In the RPSP, the two mechanisms most directly linked to building the pipeline are (1) country programme and entity work programme development, and (2) pipeline or CN development (as discussed below). Of the 35 SIDS to have received RPSP grants to develop country programmes, only five have submitted them to the GCF Secretariat. Twenty-four SIDS have approved RPSP grant(s) that have outcomes related to CN development (see Annex 5 Chapter V).

i. Country and entity work programmes

21. **Overall, the evaluation team reached the same conclusion as a Pacific SIDS stakeholder who opined that “there is no correlation between a country finishing its country programme and whether or not they have [GCF] projects”.** In SIDS that have developed country programmes, the process has often revealed a lack of mature and investment-grade project ideas, as well as the need for further capacity-building and technical support to help proponents identify and prepare projects.⁶⁹ One interviewee from a regional entity called SIDS’ country programmes “wish lists”. Country studies also revealed instances where priority projects recently identified in the country programme pipeline were not being pursued, or where the NDA was unaware of the status of the project with the AE. These issues call into question how strategically developed the identified pipelines really are.
22. Regional DAEs in the Caribbean and Pacific further stated that a strong understanding of GCF processes and requirements is required for developing a robust pipeline, and such an understanding is not yet fully developed among some SIDS stakeholders. Interviewees also stated that pipelines in country programmes are not necessarily developed with AE participation. **Linkages among entity work programmes,⁷⁰ country programmes and SIDS’ pipelines were not clear** in country case studies. The evaluation also found a lack of clarity around the objectives of the GCF country programme, as also pointed out in the 2019 IEU evaluation of country ownership. Some interviewees perceived the country programme as an investment plan for the GCF. With limited human resources available to develop plans, and substantial flows of donor finance relative to GDP, multiple SIDS saw greater value in comprehensive climate finance planning (i.e., across all climate

⁶⁹ Key informant interviews; Acclimatise, 2020.

⁷⁰ Three of four national SIDS DAEs, and all nine regional DAEs, have submitted entity work programmes (Annex 5 Chapter V).

finance delivery channels). Country programmes therefore continue to have limited relevance in SIDS and in the development of the GCF pipeline.

ii. Support for development of concept notes

23. Continued support for the development of CNs is critical to building and advancing SIDS' pipelines. All SIDS have human resource limitations due to their small size, and many SIDS, especially the less-developed countries, also report a lack of technical capacity to write CNs. For many DAEs and countries, the GCF "hurdle feels high for concept notes", in the words of one respondent from a Pacific DAE. For these reasons, **the explicit inclusion of support for CN development in the RPSP 2.0 Strategy was appreciated by interview respondents in SIDS, including NDAs and DAEs.** The effectiveness of this will become evident in the future.
24. **Some SIDS stakeholders note shortcomings, however, in the effectiveness of RPSP grant delivery.** The survey of SIDS stakeholders showed that 45 per cent of respondents disagreed that the GCF Secretariat's offers of support to SIDS are sufficiently tailored to country capacities (see Annex 2). Interviewees noted that RPSP delivery partners or their consultants often deliver training for CN development through multi-day workshops, but these are seen by those involved to be insufficient for strengthening the capacities of country stakeholders to develop CNs. An approach based on technical accompaniment – such as a longer-term engagement with mentors or perhaps a writing lab – was proposed as being more effective capacity development for building CNs. Yet, interviewees report that this is not typically how consultant TORs are packaged and contracted by RPSP delivery partners.
25. The GCF has introduced a new TA modality under the RPSP that provides "hands-on independent technical assistance to DAEs and NDAs for developing strong Concept Notes and associated PPF applications... through a structured curriculum including online and in-person training and improved guidance and knowledge products".⁷¹ The TA modality has had limited application so far in SIDS, with two DAEs receiving it and one DAE declining it after learning more about the offer. **For SIDS, the TA modality is too geared towards advisory support (e.g., process-related advice) rather than meeting their needs for writing or preparing the analyses needed to develop CNs. In this way, it assumes a certain level of capacity and staff numbers that do not exist in many SIDS.**

"[The offer of TA support was] just to come and advise on what was needed to move the project forward but not get into the details or guide [the DAE] to do the studies or build partnerships with universities or others that could mobilize the technical expertise."

- Respondent from a SIDS NDA

⁷¹ Document GCF/B.22/08: Readiness and Preparatory Support Programme: strategy for 2019–2021 and work programme 2019, 1 February 2019.

Box V-1. GCF Secretariat role in supporting capacity and pipeline development in SIDS

One of the most common themes among key interviewees from SIDS as well as DAEs, is that the regional desk staff in the Secretariat are highly responsive and appreciated. Interviewees from all three regions described their contact points in the GCF as being quick to respond to their queries, knowledgeable in their advice and flexible in their willingness to generate solutions. A Caribbean interviewee stated, “What I have found to be useful is that the GCF has attentive and proactive Caribbean counterparts, in terms of prompting us, giving us signals in terms of the right time to do things, and how to pitch things, and how to respond to requirements. That has been extremely valuable in terms of institutional set up.”

Interviewees in all three regions also emphasized that **face-to-face opportunities facilitated by the GCF Secretariat accelerate momentum.** The most common references were to the GCF regional Structured Dialogues. GCF staff attendance at SIDS’ regional meetings also received praise, as did GCF trainings provided in South Korea or a regional centre or, in one instance, in-country. These were described as key moments where GCF staff gained an understanding of country contexts, when NDAs and country decision makers could convene to plan together (such as the joint Caribbean readiness plans and the Pacific leaders’ exploration of joint programme options), and to access GCF guidance on how to define or package a CN to be acceptable to the GCF proposal review process.

Many country interviewees called for a regional presence in SIDS to help deepen the understanding of regional and national contexts and to overcome time zone issues. The fact that GCF regional managers included SIDS nationals (e.g., Jamaica, Cook Islands) is viewed positively by countries and as being helpful for understanding the unique context of SIDS. In view of the respondents, the current regional presence also provides opportunities for learning and replication of successful implementation in other contexts. At the same time, the GCF retraction of regional advisers was perceived as a regressive step to working effectively with SIDS. As noted in the benchmarking analysis, some multilateral agencies have been increasing their regional presence, which has reportedly led to good results.

The SIDS’ AIS region is facing particular challenges with respect to supporting capacity and pipeline development. Interviewees raised concerns with respect to considerations of RPSP grants and access to a wider range of regional and national AEs. The projects in the AIS are largely reliant on interested IAEs. In light of that, the project pipeline for the AIS region also remains weak. It was also noted that the GCF oversees SIDS in the AIS region through multiple regional desks; while some countries are covered by Africa, others are included in Asia. Given that the AIS category consists of countries from disparate regions, the current GCF regional desk approach is unable to consider the interests of AIS countries in a cohesive manner.

b. Project Preparation Facility

26. In terms of potential, **some SIDS, DAEs and IAEs see the PPF as an important tool for advancing SIDS project concepts through the funding proposal stage** – especially for ESS, stakeholder and gender analyses and feasibility studies. But there is not yet enough experience to say whether there is guaranteed success at the end of the PPF process. Only 4 of 31 projects that have accessed the PPF have been in SIDS (two for IAEs and two for regional DAEs), and no SIDS projects that have received PPF have yet been approved (see Annex 5 Chapter V). However, compared to non-SIDS (32 per cent of PPF proposals in the active pipeline), SIDS (53 per cent of PPF proposals in the active pipeline) have a higher percentage of PPF proposals in the active pipeline at the stage of CN review and clearance. It is therefore possible for the role of the PPF in SIDS to increase in the near future. Nonetheless, the presence of the PPF either at the approved status or in the active pipeline is minimal in the AIS compared to other SIDS regions. The AIS currently has zero approved PPF proposals and even if all the PPF proposals in the active pipeline

get approved, the AIS will still have the lowest proportion of PPF projects among the SIDS regions (see Figure V-7).

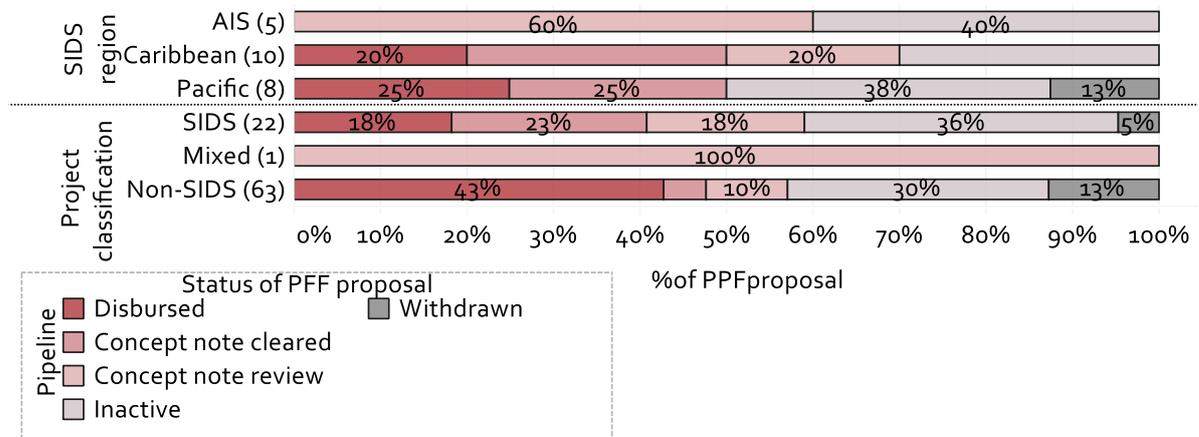


Figure V-7. Percentage of PPF proposals by status

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of PPF proposals. There may be rounding errors.

27. **Feedback was mixed on the efficiency and accessibility of the PPF.** Those that have received PPF support (country stakeholders and regional DAEs) reported that the PPF is highly responsive once the CN is approved by the Climate Investment Committee, especially if the PPF application is submitted prior to CN approval. In these instances, such as for Belize, the PPF appears to be well integrated with CN review and approval. Interview respondents from countries and regional DAEs concurred with the IEU’s ESS evaluation that the PPF’s separate process for the CN application and processing times, are far too long to effectively and efficiently assist AEs in the timely preparation of high-quality, bankable projects, although interviews also indicated that these times have begun to decrease. As a benchmark comparison, the GEF’s PPF equivalent is built into the CN process, rather than separated into two processes.⁷²
28. **Although SIDS report substantial challenges in preparing SAP proposals, whether or not the PPF for the SAP is being de-prioritized by the Secretariat is not clear.** Multiple SIDS DAEs have requested PPF assistance for the SAP. In one case, an entity reported being advised by the Secretariat to seek support from a bilateral agency to develop an SAP proposal in lieu of a PPF proposal. In interviews, some GCF Secretariat staff did not view SAP project development as the most relevant use of PPF, given that preparation is supposed to be easier for this modality. Instead, the Secretariat is developing a TA modality for funding proposal development – offering more specialized skills than those offered through the CN TA support under the RPSP – which is hoped to also speed up SAP preparation.

4. KEY CHALLENGES FOR SIDS IN MEETING NEEDS URGENTLY

29. **Although the GCF must respond urgently to the needs of vulnerable countries such as SIDS, two kinds of challenges remain: (1) lack of capacity for preparing project CNs and funding proposals to the GCF standard, and (2) difficulties related to demonstrating the difference between climate action and development interventions.** These challenges were most frequently raised in interviews with country and DAE stakeholders and were ranked as the top two most significant challenges in the SIDS stakeholder survey (see Annex 2).

⁷² IEU, 2020a.

30. **Both SIDS' governments and DAEs lack the capacity to develop projects to the GCF standard.** Similar to concerns raised in Chapter IV.B.4, capacity constraint also remains a challenge with respect to the relevance and effectiveness of GCF processes and modalities to address the climate urgency in SIDS. This capacity constraint has three dimensions:

- **Lack of human resources.** The DAEs have very small staff complements, as presented earlier in Table IV-4. The NDAs lack available personnel due to small government budgets and ministries. Many government staff have multiple roles, which do not allow for adequate time and specialization in dealing with GCF compliance. This issue is especially constraining in SIDS microstates. Climate-induced migration is also fuelling the lack of human resources in SIDS. Economic migration is a common occurrence across developing countries the world over, but emigration rates in SIDS are compounded by the ever-growing effects of climate change. This has led to many SIDS suffering a “brain drain” effect, with many potential workers emigrating elsewhere.

“It’s not the lack of capacity in individuals, it’s that there is only one person or something responsible for everything. I’m so impressed [with the] individuals technically, but they have too much on their plates.”

- Respondent from a SIDS AE

- **Competency issues.** Interviewees noted that some SIDS NDAs do not yet have the capacity to write an RPSP proposal without external support, especially in LDC SIDS.

- **Shortcomings related to dependence on consultants.** While capacities and sufficient staff numbers remain low, many turn to consultants for CN development – with or without RPSP support.⁷³ But this has its own shortcomings.

As noted in Chapter IV, there are few people in the SIDS regions who understand how to write GCF CNs and address GCF requirements, so consultants’ work often does not meet GCF standards. Also, consultants’ TORs typically do not keep them available to the countries after the submission of the CN, so countries and DAEs find themselves unable to respond to detailed review sheets from the GCF Secretariat. Most SIDS’ NDAs rely on external support by local and international consultants for the preparation of RPSP proposals.

“You find most of our [SIDS] going to [the] same international consultants to write CNs, but that leaves a gap. Because once you submit, who will respond if you only pay the consultant to do the CNs? ... GCF’s modalities are relatively new, so you still get consultants with development mentality and who don’t understand climate rationale. But countries don’t have a choice ... Countries are starting to get frustrated.”

- Respondent from a SIDS DAE

Utilizing “fly-in/fly-out” consultants and one-off trainings presents serious challenges for building sustainable capacity, a concern that was raised by respondents from NDAs and delivery partners, and by consultants themselves.

31. **A key message from interviewees was that in SIDS, and especially LDC SIDS and microstates, the provided support must eventually improve the capacities of people in SIDS to do the work themselves,** whether that work is to prepare CNs or to implement projects. The meta-analysis of other agencies’ evaluations of their SIDS portfolio showed the pitfalls of over-reliance on training as a form of capacity-building in SIDS; realistic human resource strategies that consider other options

⁷³ To subsidize the cost of accessing GCF funding, other partners – such as the New Zealand Ministry of Foreign Affairs and Trade and the USAID Climate Ready programme in the Pacific SIDS – have been providing substantial complementary support, including the funding of consultant support for SIDS and their DAEs for CN development and review, through to actual funding proposal development.

such as filling gaps through outsourcing or professional development were successful for SIDS (Annex 3). Interviewees reported that in cases where SIDS have been able to benefit from more than a year of RPSP support for embedding an adviser in their ministries, there is evidence of growing capacity and accelerated access to the GCF; this has been particularly evident in Belize (and Vanuatu). But concerns were raised about whether governments will be able to absorb the cost of a staff member dedicated to the GCF after the RPSP ends, especially with high government debts and hiring freezes in the Caribbean, small government budgets in all SIDS, and now the COVID-19 pandemic.

32. **The lack of available historical data needed is also a constraining factor for SIDS in preparing project proposals to the GCF standard. A major concern for SIDS in developing projects to the GCF standard is difficulties in separating climate action from development interventions and the frequent lack of available historical climatological data.**

“I understand [the GCF] being an evidence-based, science-based organization. We just don’t have the historical data; we can’t fabricate 30 years of historical data to come up with a climate rationale. And as much as we have readiness, there are certain things we just can’t get back. So [we need] an understanding from the Secretariat and Board of how we bridge the gap, recognizing that we have 10 years to bridge this gap. And it’s PPF for one year [to collect the data], and it’s 3 years to get a project, and if you only have capacity to do 1 project at a time, that’s just 3 projects in the time we’re told we have to adapt.”

- Respondent from a SIDS DAE

33. The limited availability of climate and socioeconomic data and research for SIDS at the required scale (e.g. national or even local scales) has been acknowledged by the IPCC, as well as by other prominent organizations and academic papers.⁷⁴ In interviews, many SIDS stakeholders explained that they do not have (or only have in paper records, which requires human resource investment to convert into machine-readable data) the historical climatological data required for a funding proposal with the GCF. Some countries and entities are using the RPSP, PPF or components of projects to meet this data gap, which can result in an additional multi-year delay for project preparation.
34. Data availability varies by individual SIDS, based to some extent on size and resources, according to interviewees and the IEU’s own data analysis. The IEU DataLab looked at more than 10 historical climate data sources, as well as vulnerability and risk indices, and found that not one of the data sets covered all 40 GCF-eligible SIDS. Such a gap therefore accentuates the lack of data accessibility in SIDS (see Figure V-8).

⁷⁴ Nurse et al., 2014; OECD and World Bank, 2016; Kuruppu and Willie, 2015; Robinson, 2018.

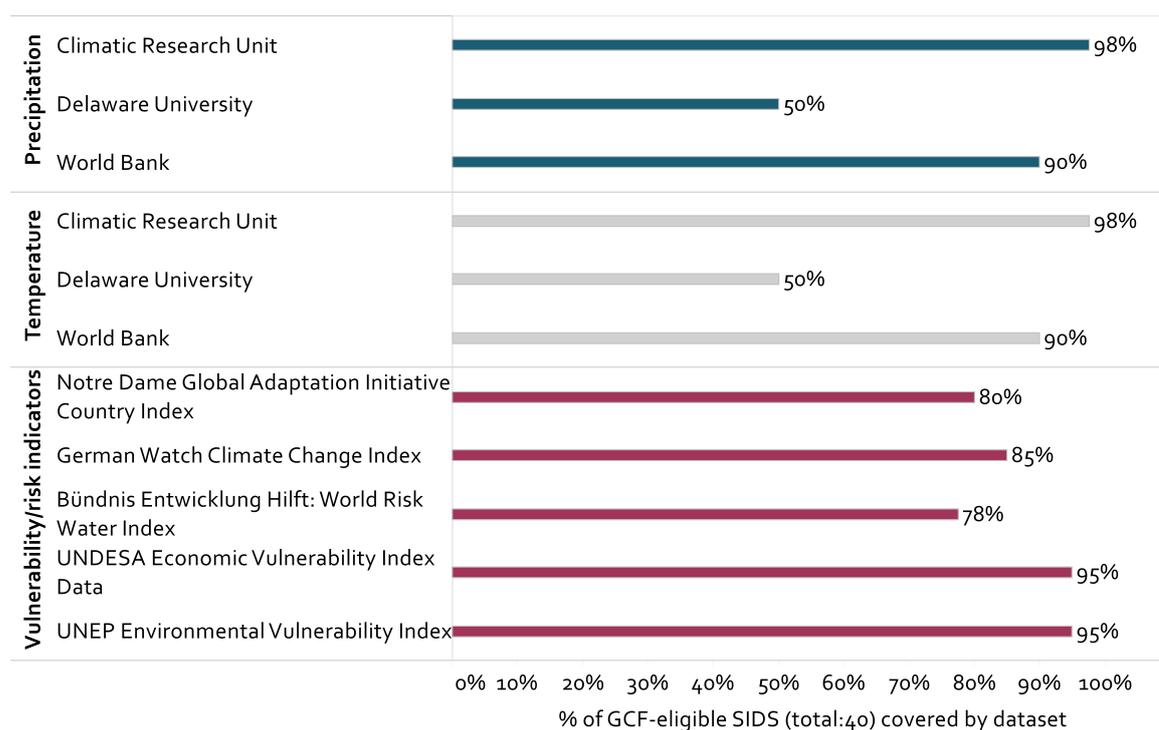


Figure V-8. Percentage of GCF-eligible SIDS (total: 40) covered by historical climatological data and vulnerability/risk indicators

Sources: Climatic Research Unit Temperature and Precipitation Data (2019); Delaware University Temperature and Precipitation Data (2017); World Bank Temperature and Precipitation Data (2019); Notre Dame Global Adaptation Initiative Country Index (2017); German Watch Climate Change Index (2019); Bündnis Entwicklung Hilft: World Risk Water Index (2019); UNDESA Economic Vulnerability Index Data (2019); and UNEP Environmental Vulnerability Index (2004).

35. One alternative strategy being pursued by the Antigua and Barbuda Department of Environment is a broader effort to do baseline data collection to inform project development, outside of the context of an individual project. **Lack of data also may affect the types of projects that SIDS are able to bring forward.** For example, in Belize, interviewees stated that one of the reasons that the country has brought forward multiple agricultural projects to the GCF – and none, for instance, on coastal ecosystem restoration – is that the former has more concrete data available, lending itself to slightly easier project preparation and demonstration of expected results.
36. Given the context scale (e.g., national or even local scales) of SIDS, interviewees have highlighted that a separation between climate action and development interventions is difficult to realize and somewhat artificial. The current and potential funding amounts of GCF-funded projects dictate that every project would reach a considerable number of beneficiaries and address the reduction of GHG emissions, and realize direct and indirect economic co-benefits for the country, such as job creation, increased household incomes and sector development. In this light, **interviewees opined that almost every climate project would directly link to the countries' development.**
37. Furthermore, interviewees pointed out that the separation between mitigation and adaptation also has limits when projects are implemented on the ground. For instance, providing renewable energy to SIDS not only reduces emission levels, but most importantly helps to build resilience within the communities by providing households access to interruption-free energy. A transportation project using locally built boats would not only provide a low-emission mode of transportation, but help to

provide ways of connecting local communities and markets with one another, reduce transaction costs for others, and building more resilient communities (see Annex 5 Chapter VI).

38. Box V-2 provides additional perspectives on climate vulnerability and the difference between climate action and development interventions.

Box V-2. Perspectives on climate vulnerability and the separation of climate action and development in SIDS

“We have a fine line in the Pacific between climate change and sustainable development. The [Pacific SIDS] are prone to disasters. When we look at water security, it is a fine line between what is climate change and what is poor management in-country. Look at Vanuatu, just hit again with a cyclone and all water security is down. The system was poor before, and climate change is making it worse. So how do you make a response to only the climate change impacts and not the wider sustainable solutions? It is hard to stay within those boundaries. We understand what the purpose is about, but please be flexible in defining what is responding to climate change and what is just sustainable development. The regional GCF manager understands well, but the [DMA] task managers that deal with countries around the world try to apply the guidelines consistently [and] it does not work for SIDS.”

“The distinction between development and adaptation is arbitrary; development action can be adaptation. To go into a level of detail or data-driven analysis of risk for every dollar that GCF puts into a SIDS can be onerous and unnecessary to provide climate attribution. With SIDS [due to the urgency of climate action], it should not be a question we get stuck on. But we spend a lot of resources and money in project preparation to prove [climate] attribution, projected [climate] impacts. It is important to ensure it is not maladaptation. But beyond that, it is excessive. We wish GCF was more comfortable with the uncertainty the rest of the world works with.”

“Of course, GCF has a mandate for climate. But in terms of how it is implemented, we need a lot more flexibility [for SIDS, and especially in LDC SIDS]. Overlap should be tolerated, as long as there is a strong climate reason.”

“GCF’s strict delineation of business-as-usual basic needs of vulnerable populations and the additional climate needs of the population is too arbitrary and punitive on poor countries.”

“GCF should be less rigid in its adherence on decoupling between climate-induced needs and sustainable development. Greater consideration should be given to the local circumstances when considering project funding. The procurement of a boat for a multi-country project was rejected on the grounds of climate rationale; GCF were insistent on only leasing the boat despite this being detrimental to the long-term sustainability of the project.”

Source: Interviews with staff from DAEs, IAEs and development partners

39. In contrast to the feedback on the Secretariat’s Division of Country Programming (DCP) regional desks, **interviewees from SIDS described the Secretariat’s technical project reviewers as sometimes lacking knowledge of the specific context and challenges in SIDS.** This was reaffirmed by the results of the survey of SIDS stakeholders, in which more than a third of respondents disagreed that the GCF Secretariat understands the specific context of SIDS (see Annex 2). Numerous interviewees suggested that scoping missions and more time spent in the countries by the GCF Secretariat reviewers and iTAP could help to contextualize these assessments.

C. KEY FINDINGS AND RECOMMENDATIONS

1. KEY FINDINGS

40. Since the launch of the GCF, the Board has approved 29 projects that include SIDS, for a total of USD 818 million. This represents a reasonable proportion of total approved finance, in consideration of per capita representation. Substantially less co-finance has been catalysed for SIDS compared to non-SIDS, however. Some 10 SIDS do not yet have projects with the GCF.
41. More than half of GCF resources approved for SIDS are for adaptation projects, consistent with the guidance in the GI. SIDS have received considerably more of their GCF and co-financing via grants, compared to non-SIDS, which may correspond to the adaptation focus, vulnerability profile and debt sustainability issues of SIDS. Some stakeholders, however, opined that more flexibility with concessionality and more innovative financial instruments are needed.
42. The GCF PAPs, including the SAP, are widely perceived as being too long to be considered responsive to the urgency of climate change in SIDS.
43. The GCF modalities are not effective, given the climate urgency. The SAP is highly relevant for SIDS but not yet sufficiently simplified or used for upscaling to accelerate climate action. The RfP programmes have not been effective in generating pipelines in SIDS, although the RfP on EDA is seen as highly relevant. Overall, SIDS have been underrepresented throughout the stages of pipeline development.
44. Lack of capacity to develop CNs and funding proposals to the GCF standard is the greatest challenge that SIDS face in accessing GCF finance. SIDS appreciate and have accessed support for CN development under RPSP 2.0. However, the Secretariat's TA for this is not hands-on enough for SIDS, and the typical RPSP delivery partner model of training workshops does not build sustainable CN development that has sufficient capacity. SIDS require an accompaniment approach.
45. Lastly, an additional related major concern for SIDS in developing projects to the GCF standard is the difficulty in separating climate interventions from development interventions and the frequent lack of available historical climatological data.

2. KEY RECOMMENDATIONS

46. The 2020 IEU review of the SAP recommends that the Board develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, including considering some delegation of authority to the Secretariat. The SAP modality is critical for SIDS, given its relevance, and especially as the growth in their project pipelines is shifting towards the SAP. The efficiency of the SAP will be essential for accelerating SIDS' access to single-country projects with DAEs.
47. The GCF Secretariat should tailor support for CN and funding proposal development, to reflect the capacity constraints of SIDS. Specifically, GCF-funded capacity-building in SIDS should take more of an accompaniment approach, providing human resources to work side-by-side with government and DAE staff to build capacity over longer periods (months to years). Promoting the availability of multi-year support for embedding advisers in NDAs or making that support more easily accessible (e.g. through a roster approach) would facilitate accompaniment. Support to train cadres of local and regional consultants on GCF requirements and terminology would also accelerate the availability of the qualified support that SIDS need. In addition, support for human resource and capacity-building could be explicitly built into investments in SIDS (e.g. components or subcomponents of projects that build this capacity while the projects are being set up and implemented). The need for

innovative financial instruments and knowledge should also be considered for such a tailored approach.

48. The GCF should address concerns about data inaccessibility becoming a temporary delay or complete barrier for GCF projects. The GCF Board and Secretariat should consider simplifying the funding proposal template to allow SIDS to cross-reference country programmes and plans, such as NDCs, NAPs, IPCC reports or other equivalent analyses to overcome data inaccessibility. An extrapolation of learning from other countries and contexts could also help to prevent data becoming a barrier, this requires further regional approaches for knowledge-sharing and exchanges of lessons learned.

Chapter VI. EFFECTIVENESS OF THE GCF'S INTERVENTIONS IN SIDS

A. INTRODUCTION

1. This chapter reviews the extent to which GCF support is effective in delivering sustainable results and learning from those results. The question on the effectiveness of the Fund's interventions is broad and will speak to the following points: first, the broader perspectives of SIDS recipient and country needs are addressed; second, specific objectives laid out in the GI – in particular, paradigm shift, innovation, scaling up and replication – are analysed; and last, complementarity and coherence with the climate finance landscape are reviewed. Using this evaluation lens, the chapter addresses the following questions:
 - To what extent is the GCF's portfolio in SIDS achieving results (intended and unintended)?
 - Is the GCF meeting the objectives of the Paris Agreement in the SIDS portfolio? To what extent are GCF investments mobilizing potential for paradigm shifts within SIDS? Are GCF investments replicable and scalable?
 - To what extent are GCF investments employing innovations in SIDS? And to what extent do they support well-established local processes or knowledge?
 - Is GCF finance complementary and coherent with other climate finance delivery channels?

B. DATA AND ANALYSIS

1. EMERGING RESULTS

a. Expected and actual results

2. **Most GCF-funded projects in SIDS are still in start-up or early phases of implementation.** While 84 per cent of all SIDS projects are under implementation, just 68 per cent of all non-SIDS projects are implementing activities. The median duration for all projects since implementation is only 13 months. Of the 16 SIDS projects with annual performance reports (APRs), half are in their first year of implementation, and few impacts are yet reported (Annex 5 Chapter VI).

Table VI-1. Median project duration since implementation, in number of months

PROJECT CATEGORY	IMPLEMENTATION STATUS	NUMBER OF PROJECTS (% OF PROJECTS BY CATEGORY)	MEDIAN DURATION IN NUMBER OF MONTHS SINCE IMPLEMENTATION
SIDS	Under implementation	21 (84%)	13
	Not under implementation	4 (16%)	0
Mixed	Under implementation	3 (75%)	9
	Not under implementation	1 (25%)	0
Non-SIDS	Under implementation	78 (68%)	16
	Not under implementation	36 (32%)	0

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

- Thus, it is premature to comprehensively assess the extent to which the GCF SIDS portfolio is achieving intended results. Still, observations from country missions show emerging indications. Correlating the GCF’s investment values relative to the small size of most SIDS’ land coverage and total population, interviewees anticipate that GCF projects will generate ambitious impacts for SIDS (see “paradigm shift” section below). From the GCF Secretariat’s perspective, while the GCF-approved funding proposal documentation may provide insights into targeted direct and indirect beneficiaries (for adaptation) and emission reduction (for mitigation), and APRs update on progress of implementation, none of the projects have submitted interim and/or final evaluation reports that may review impact targets and fulfilment of these in a rigorous evaluation approach.⁷⁵ APRs do not provide conclusive findings on the effectiveness of GCF interventions.

A project’s intended impact is described through elements of the impact potential section in its funding proposal. This section should describe the potential of the project regarding its contribution to the overall objective and the result areas of the Fund.⁷⁶ **Water (including access and availability, management, and sanitation) is one of the elements of potential impact described by GCF funding proposals⁷⁷ in SIDS, and at a much higher proportion than non-SIDS (Annex 5 Chapter VI).** Water is a sectoral priority identified in more than two thirds of SIDS’ NDCs (Figure VI-1). Energy is a universal sectoral priority across all SIDS’ NDCs, and 18 SIDS out of 30 (60 per cent) include expected results related to renewable energy. Infrastructure and climate information services are also elements of potential impact frequently described by approved projects in SIDS, with a stronger emphasis on infrastructure in the Pacific (Annex 5 Chapter VI).

⁷⁵ The evaluation team has reviewed funding proposal documentation and APRs with respect to the evaluation criteria used, including the question of effectiveness. These insights have been used to engage with stakeholders in the country, the AEs and the Secretariat during the country missions.

⁷⁶ The Fund’s result areas are described in the Results Management Framework (Decision GCF/B.05/03). For adaptation, they include health, food and water security; livelihoods of peoples and communities; ecosystems and ecosystem services; infrastructure and built environment. For mitigation, they include energy generation and access; transport; forests and land use; and buildings, cities, industries and appliances.

⁷⁷ Elements of potential impact are expressed in a context-specific approach by each AE in section E.1 of the funding proposal, relevant to the description of the investment criteria impact potential. As per the operational and programming manual, AEs are requested to define impacts using these elements of potential impact and linking them to the GCF objectives and result areas. For this, an AE can use the guiding questions for assessing their impact potential, which link directly to the PMFs of adaptation and mitigation. The IEU DataLab has extracted all elements of potential impact at a portfolio level to further investigate the potential impacts of the Fund.



Figure VI-1. NDC sectoral classifications with more than 50 per cent GCF-eligible SIDS

Source: Nationally Determined Contribution Partnership (2019) data set, as of 31 July 2020, analysed by the IEU DataLab.

Note: Data only cover the 30 out of 40 GCF-eligible SIDS with a GCF project. Number in parentheses denotes the number of GCF-eligible SIDS included in the graph. The full version of the graph can be found in Annex 5 Chapter VI.

4. **Our analysis of impact potential elements has shown that far fewer projects in SIDS expect to generate results related to food security, fisheries, ecosystems protection and transportation, despite the importance of these areas to SIDS' economies, capacity and physical constraints, and their relationship to frequently identified priority NDC sectors.**⁷⁸ This was observed in the IEU's analysis of funding proposals – in particular on section D.1, which describes the impact potential – and the analysis of NDCs in SIDS (see Annex 5 Chapter VI) in combination with the result area of GCF projects. Considering GCF's young portfolio, country-driven approach in priority setting, country planning and linking to project development, and principle of complementarity and coherence, the GCF may not address all priorities mentioned through the NDCs at a time. Furthermore, NDCs are being updated over time and may not best describe the current priorities of a country. However, the GCF should support countries in these efforts over time, relieving them of potential barriers that hinder their ability to bring forward projects in response to country needs. Given the current SIDS portfolio, until the evaluation's cut-off date, a group of needs expressed through the NDCs were not addressed across this portfolio.
5. Two perspectives with respect to high transaction and operating costs explain such key barriers. First, AEs are unwilling to support relatively small-scale adaptation projects in view of the higher operating costs at project level. Second, in the long run, projects in food security and transportation are urgently needed to address high transaction costs in the domestic market. For the purpose of this evaluation, transaction costs are conceived as composed of two dimensions: (1) payments from buyers and sellers to brokers for their services, or (2) time and labour associated with transporting goods or commodities across long distances (including imports/exports or exchanges within a country or region). Both dimensions are particularly pertinent to the context of SIDS. GCF-funded projects could build country resilience, given vulnerability in the food value chain and transportation sector, as an example. Interviewees noted that constraining factors, such as difficulties in attracting AEs with relevant technical strengths, limited the availability of data for feasibility studies in some cases, as discussed in previous chapters. Interviewees from AEs posited that while water,

⁷⁸ Such as coastal zones, agriculture, and land use, land use change, and forestry. Overall, the evaluation team's attempt to systematically assess whether GCF projects are satisfying SIDS' NDCs was inconclusive. In the assessment of the evaluation team, GCF "results areas" are not directly comparable with the country's NDC priority categories. Some NDC sectors overlap several GCF results areas and vice-versa or cannot be matched to any GCF result areas. For example, projects citing the GCF Impact Area "Integrating climate change into local national and regional planning" may relate to NDC categories "Cross-Cutting Area" or "Disaster Risk Management" or "Social Development".

infrastructure and adaptation-related energy security were easy fits for the GCF, it was more difficult to successfully present justifications to the GCF for adaptation projects related to food security and the livelihoods of peoples and communities. Inversely, NDAs in the Pacific and Caribbean noted that IAEs are not well equipped to work on projects that focus on community-intensive sectors such as climate change adaptation linked to health, education and environmental sustainability. They added that although NGOs and CSOs are specialized in such community sectors, they are usually too small and often lacking in administrative capacity to compete for GCF funding. SIDS' concentration of projects in adaptation projects related to infrastructure, in contrast to more community-based adaptation projects, might also explain the low reporting rates of stakeholder consultations.

b. Co-benefits and inclusion

Via their proposal documentation, the GCF requests AEs to further describe the anticipated wider benefits and priorities of projects and programmes in relation to the Sustainable Development Goals and environmental, social and economic co-benefits and gender-sensitive impacts. **Expected environmental co-benefits of SIDS projects reflect the focus of the SIDS portfolio related to climate information, water and improving air quality as a result of projects related to renewable energy, infrastructure and water** (Figure VII-2). Infrastructure projects frequently anticipate environmental co-benefits related to water management, climate information services and coastal erosion (Figure VI-1). Economic co-benefits of SIDS projects concentrate predominantly on job creation and income generation and diversification. Social co-benefits have focused on improvement of health, nutrition and safety, as well as water supply in SIDS (see Annex 5 Chapter VI). Only 4 per cent of SIDS funding proposals expected co-benefits related to improving cultural preservation (compared to 13 per cent in non-SIDS). The evaluation analysis found that beyond the directly targeted impact potential elements for GCF projects, SIDS projects also strongly focus co-benefits around a cluster of economic and social co-benefits compared to non-SIDS projects. SIDS projects not only more often target similar impact potential elements, they also focus on fewer environmental co-benefits across their projects, as shown in Figure VI-2.



Figure VI-2. Elements of potential impact and environmental co-benefits of SIDS projects

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

- In addition, SIDS remain relatively weak in describing environmental co-benefits in biodiversity and ecosystem services, carbon sequestration, marine and freshwater habitat, and noise reduction areas compared to non-SIDS (Annex 5 Chapter VI). The portfolio analysis has shown that SIDS projects focus on few potential impact elements compared to non-SIDS projects. Given this, the SIDS projects describe direct links to environmental, economic and social co-benefits. As shown in the figure above, the frequency of environmental co-benefits mentioned in funding proposals is far higher for water management, climate information technology and coastal erosion in SIDS across the portfolio, compared to non-SIDS. In-country interviewees, across all three SIDS regions, also expressed that climate action is far closer to development and resulting potential co-benefits, given the size and context of SIDS as well. As mentioned initially, co-benefits represent the bridge between the core priorities of projects and programmes and how these may link to the Sustainable Development Goals and sustained climate-relevant development pathways. In small and vulnerable economies, such as SIDS, climate change adaptation and mitigation activities are ultimately linked to overall development, so spillover effects for a broader development are very likely. Given the climate urgency, all activities are, at large, helping the stakeholders to adapt and become more climate resilient.

i. Gender

7. **Although SIDS projects are, on average, more ambitious in terms of gender co-benefits than non-SIDS, monitoring and reporting of these efforts and gender-related consultation remain a challenge.** A higher proportion of SIDS funding proposals expected to generate gender co-benefits, including those related to women’s participation in technical aspects of the project, compared to non-SIDS funding proposals (Annex 5 Chapter VI). Still, less than a third of SIDS projects established specific processes to track their Gender Action Plan, which is a mandatory annex to all funding proposals (Figure VI-3).

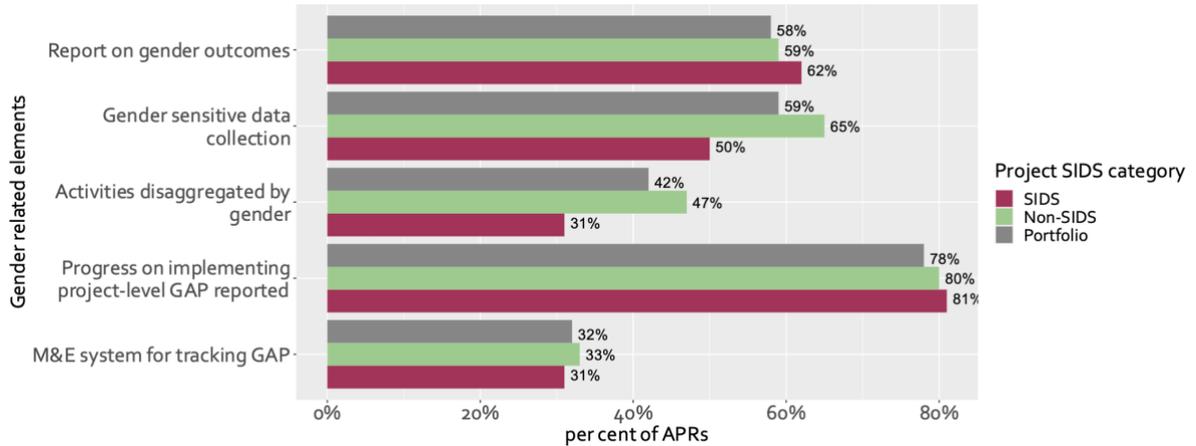


Figure VI-3. Reporting of gender-related elements in APRs, by SIDS and non-SIDS

Source: Annual Performance Reviews, as of 31 July 2020, as analysed by the IEU DataLab.

Note: There are 16 SIDS APRs, 51 non-SIDS APRs and 2 mixed APRs available as of 31 July 2020; however, mixed projects have not reported any gender-related elements in the APRs.

8. The frequency of reported consultation of women and women’s groups was poor overall in SIDS (only 23 per cent of proposals), though similar to non-SIDS proposals. Interviewees from the Pacific referred to how community consultations for climate projects generally focus on the leaders, who are predominantly men (Annex 5 Chapter VI). If women are consulted separately from men, it is common for the most authoritative women to be heard, while younger women, youth, the elderly and people with disabilities remain silent or absent. The literature review also found that marginalization of less powerful members of island communities is usual for climate projects.⁷⁹ Understanding power dynamics for effective gender and socially inclusive consultation is critical in SIDS, as it is elsewhere. Recognizing the importance of consulting marginalized populations beyond women and indigenous people is also important, as country interviewees reported that the GCF’s ESS requirements strongly influence DAEs.

9. The above findings highlight that **capacity to realize gender equity in climate programmes is a weakness in many SIDS.** The GCF’s gender toolkit describes the gendered project cycle in three stages: gender analysis, gendered actions and gender-sensitive monitoring and evaluation. The latter requires not only a gender-responsive approach and gender-sensitive data collection but also efficient and effective reporting of specific gender outcomes. However, only around 1 per cent of total GCF investments in SIDS are used for gender-related activities, compared to 2 per cent in non-SIDS, according to the funded activity agreement (FAA) budget breakdown (Annex 5 Chapter VI). Interviewees stated that gender equality and social inclusion assessments and implementation actions only happen if funding is built into project design and implementation budgets. Although

⁷⁹ Petzold and Magnan, 2019.

budgeting for gender assessments is consistent with GCF gender policy compliance requirements, unless activities within projects are specifically aimed towards closing gender gaps, the budget breakdown does not show whether any of the budget is specifically tagged for gender-related actions. **The implementation of gender-specific outcomes is still limited in the GCF's gender-sensitive approach in SIDS**, as well as across the entire portfolio. The experience of other climate finance and multilateral organizations has shown that two key considerations for promoting strategic actions to close gender gaps are the systematic tracking of those efforts and allocating sufficient resources for design and implementation.⁸⁰

10. **Despite these past gaps, data from RPSP grants indicate that positive change is occurring.**

More than two thirds of SIDS governments with at least one RPSP grant have requested support to address gender capacity gaps (Annex 5 Chapter V). The Secretariat's ESS team is also planning to deliver in-country gender capacity-building training (paused due to

“Most of the time it is due to not enough people. It is not a capacity problem – they are capable people. [But] Gender Affairs is just two people... It's not they can't or don't want to. There just aren't enough people and hours in the day.”

- Pacific stakeholder

COVID-19). The question remains how support can be more targeted towards the implementation of gender-specific outcomes and subsequent efficient monitoring of these efforts. **While this remains a challenge, the gender policy, which should encourage social inclusion, is often seen as a far more limited policy in the perception of country stakeholders.** Interviewees raised concerns about the effectiveness of gender assessments and gender action plans for projects in SIDS but failed to link these to specific planned activities for women and, beyond this, for particularly vulnerable groups – for example, youth, ethnic and other minorities, and the elderly.

ii. Indigenous peoples and local communities

11. **Self-reported engagement with local and indigenous communities suggests that they may be an underserved priority in SIDS, especially during project implementation.** Only 12 per cent of SIDS projects self-reported engagement with local and indigenous communities in APRs – half the level of engagement by non-SIDS (25 per cent of projects) (Annex 5 Chapter VI). Reported consultation is somewhat stronger during project development, though still just 38 per cent of SIDS funding proposals reported consultation with local community people (as a crude proxy for indigenous people) (Annex 5 Chapter VI). In RMI, Kiribati, Belize and Barbados, the evaluation team heard how AEs such as ADB, CCCCC, IFAD, SPREP, UNDP and the World Bank actively consulted intended beneficiary communities during proposal development. While these consultations are good practice to value indigenous input, unless locally connected CSOs were involved, these consultations often only gained the perspectives of community leaders but did not access the views of more marginalized peoples within those communities to foster social inclusion. Country stakeholders observed that IAEs are better set up for infrastructural and national capacity-building projects than grass-roots initiatives. AEs themselves, while often resourced with highly skilled community and CSO engagement staff who can be flown in, point out the incredibly high financial and time cost of engagement with widely spread small populations. Thus, overall, GCF projects in SIDS tend to focus planning and implementation on national and government stakeholders (Annex 5 Chapter VI). Projects are not sufficiently creative in developing meaningful modes of communication and participation with intended beneficiaries, who therefore risk becoming passive observers in their own climate resilience. **The powerful resource of social capital in SIDS**

⁸⁰ World Bank Group, 2015; Itad, in association with Ross Strategic and ICF, 2019.

is underutilized to a large extent in the delivery of climate finance projects. This is considered a missed opportunity. Nonetheless, there is a relatively noticeable proportion of SIDS projects with social co-benefits, but as stated above these beneficiaries of co-benefits are not directly engaged in developing or improving the projects. The GCF's RfP on EDA modality is seen as an important opportunity to strengthen this engagement, given that it could also target the CSO and NGO sector of a country. However, it has not been fully utilized yet, as discussed in Chapter V.

12. As cited above, according to interviewees, a pragmatic solution may be greater inclusion of CSOs. Government, AE and CSO interviewees noted that CSOs have better processes in SIDS for disaggregated consultations to ensure marginalized and minority voices are able to contribute equally. As a result, interviewees saw a role for RPSP grants to engage CSOs (including mothers' groups and church/faith organizations that are prevalent and influential in the Pacific) early and consistently. In the Caribbean, a regional RPSP grant focuses on engaging and building awareness of the GCF among CSOs. As a reference point, ADB has a department dedicated to identifying, engaging and strengthening national CSOs in the Pacific to prepare them for future engagement in projects. A practical suggestion was that CSO observers to the GCF Board be provided with CN and proposal annexes that list who was or will be consulted. In the words of one IAE, "It is good to network them early on so they can assist and guide." Given these inputs across different stakeholder groups and SIDS regions, the evaluation team concludes that the GCF currently misses a strategic approach to the engagement with CSOs throughout the project development and appraisal process.

c. Meeting SIDS' needs and priorities

13. **Overall, the GCF investment portfolio aligns with the broad adaptation and mitigation needs and priorities of SIDS but is difficult to link with NDC aspirations.** Interviewees from all SIDS countries reported that their GCF-approved projects and pipeline are informed by their national priorities documented in national climate strategies and plans, including NDCs (see Box VI-1). This was echoed by the results of the survey of SIDS stakeholders, in which over 95 per cent of respondents agreed that GCF-funded investments are relevant to SIDS' climate needs (Annex 2). Across the SIDS portfolio, not all needs expressed in the NDCs could be captured through the GCF's result areas and impact potential elements in the project documentation. The evaluation found that the current GCF labels for describing potential impacts do not allow for perfect identification of corresponding NDCs. Also referring to national climate planning, there is room for improvement, with just 6 out of 40 SIDS having publicly available NAPs. Most SIDS' approved projects were described by respondents as country-driven, with a smaller proportion (primarily regional projects) seen as entity-driven, although still linked to national needs.

Box VI-1. Examples of alignment with needs and priorities from SIDS case studies

In **Belize**, the Resilient Rural Belize (FP101) is aligned with the country's NDC and National Agricultural Sector Adaptation Strategy (2015). Government interviews also confirmed that agriculture is a priority sector.

In **Kiribati**, the South Tarawa Water Supply Project (FP091) addresses two key themes of the country's intended nationally determined contribution and Kiribati Joint Implementation Plan for Climate Change and Disaster Risk Management: vulnerability of water supply and transition to low emissions renewable energy.

In **the Republic of the Marshall Islands**, current GCF projects are derived from RMI's national climate strategies: Tile Til Eo (Lighting the Way) 2050 Climate Strategy; Water and Sanitation Policy and Proposed Action Plan; and the Joint National Action Plan on Climate Change Adaptation and Disaster Risk Management.

In **Saint Lucia**, the project pipeline emerged from a nationwide consultation process and a variety of national strategies including the NDC Partnership Plan, National Energy Transition Strategy, National Adaptation Plan, and Sectoral Adaptation Strategy and Action Plans.

d. Barriers to and opportunities for achieving results

14. **For projects in disbursement, the most commonly reported challenges encountered by SIDS relate to transaction and operating costs (see Box VI-2), implementation and procurement, as shown in Figure VI-4 (see also Annex 5 Chapter VI). These challenges feature significantly more in SIDS than non-SIDS contexts. Implementation challenges include difficulties in recruiting suitably qualified national and international staff and the low professional experience of national appointees; infrequent shipping access to outer islands; and a lack of formal land-use plans. These barriers are consistent with the high transaction costs and transportation challenges also noted above in Chapter II. Political changes can be particularly disruptive for SIDS projects, because new administrations often change the entire leadership of government ministries. This causes a break in knowledge and, potentially, commitment to proposals under development and ongoing projects.**

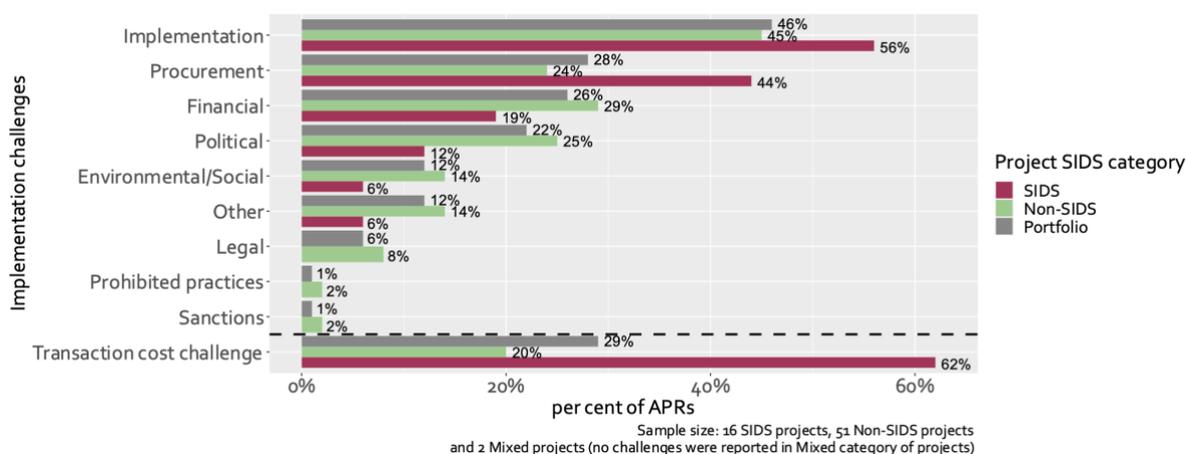


Figure VI-4. Implementation challenges reported in APRs, by SIDS and non-SIDS

Source: Annual Performance Reviews, as of 31 July 2020, as analysed by the IEU DataLab.

Box VI-2. Summary of constraints related to transaction costs in SIDS

As raised in previous chapters⁸¹ and in this chapter, the transactional costs of operating tend to be significantly higher in SIDS than non-SIDS countries. Higher costs are the result of the geographic remoteness of many SIDS increasing transport costs, the logistical challenges (time, expense and uncertainty) of having populations spread over vast distances of oceans, and small populations allowing for no economies of scale.

As shown in Figure VI-4, transaction costs are, by far, the most frequently reported barrier in APRs in SIDS projects, and three times higher than for non-SIDS projects. These higher transaction costs have led to multiple barriers, as follows:

- A disincentive for IAEs to pursue proposals that may cost more than non-SIDS projects but that have lower project investment value
- AEs' perception of greater scrutiny by GCF proposal reviewers, to justify higher budget items such as flight costs, relative to non-SIDS projects
- Less opportunity (or greater time and cost investment) to conduct community consultations and leverage community social capital into project theory of change and implementation plans
- Lower beneficiary coverage per investment amount
- Higher mitigation cost per MTCO_{2e}
- Potentially slower implementation progress indirectly related to transaction costs – due to long transportation times for procurement of project inputs

High costs may be a contributor to SIDS government partners having insufficient staffing to manage expansion of climate programming. They may also be a contributor to the GCF's reluctance to place staff in SIDS regions, which is constraining SIDS stakeholders' engagement with the GCF.

Multi-country projects have not succeeded in reducing costs due to potential economies of scale being offset by greater coordination time and complexity, and higher travel costs between countries. The MDBs are adapting to this lesson by designing "streamlined packaging" or modular and multiphase approaches to programming.

15. Another consideration is higher share of multi-country projects in SIDS. Interviewees in the countries remarked that **GCF-funded multi-country projects further exacerbate the challenge of high transaction and operating costs in SIDS**. As noted in Chapter V, a third of all SIDS (and 50 per cent of Caribbean SIDS) only have multi-country GCF projects approved to date. These countries tend to be micro-SIDS with fewer resources and that receive significantly less investment (reported in Figure VI-5).

⁸¹ Sections II.E & F, Box III-3, and Section VI.2

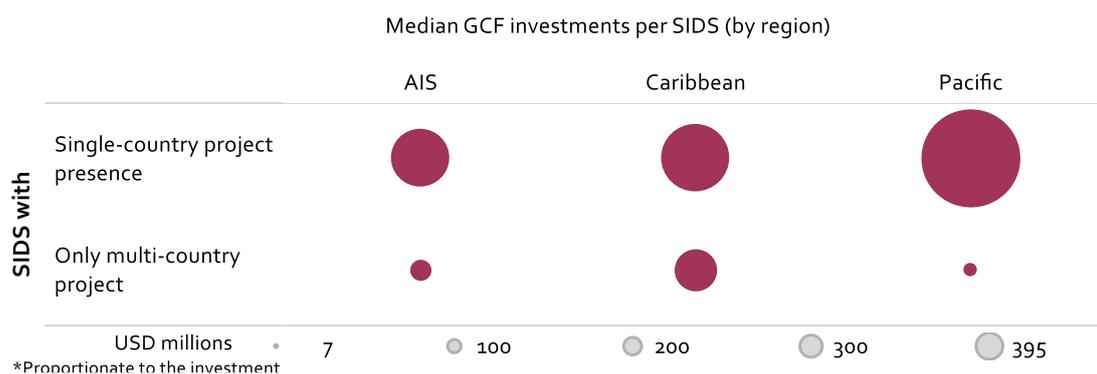


Figure VI-5. Median GCF investments for SIDS with at least one single-country project vs. SIDS without one

Source: Tableau Server, as of 31 July 2020, as analysed by the IEU DataLab.

Note: The full version of figure can be found in Annex 5 Chapter VI.

16. Interviewees raised serious concerns related to multi-country projects in the GCF to date and based on past experiences; these issues were also echoed by the benchmarking exercise (see Annex 3). Most concerns revolved around several core themes: (a) that concepts and designs are being “pushed” by regional and international AEs, which challenges the notion of country ownership, and that those designs are too homogenized; (b) that the amount of funding per country is too small in currently approved projects to have a sustainable on-the-ground impact for local beneficiaries, and thus high transaction costs in the countries are not considered; and (c) that the GCF’s requirement for no-objection letters from all participating countries as a precondition for approval can hinder a project’s viability. IEU DataLab analysis also found that SIDS multi-country projects are less likely to engage stakeholders in project design and implementation than single-country projects (Annex 5 Chapter VI).
17. **The evaluation found widespread interest in pursuing a programmatic approach, including among interviewees from SIDS governments, AEs and GCF staff.** Programmatic approaches were seen as a means of scaling up impact in individual SIDS – thereby overcoming the currently perceived shortcomings of GCF multi-country projects – as well as of reducing transaction costs for low-capacity governments and for AEs. Interviewees asserted that effective programmatic approaches could enable whole-of-island or whole-of-region and long-term planning approaches linked to national or regional strategies. The programmatic approach should not be understood as a regional approach only, but rather include a whole-of-island approach across sectors in a single country. **Single-country programmatic approaches should be closely linked with NDCs, NAPs and long-term strategies, as well as other national efforts for complementarity and coherence.** They should be ambitious and could be innovative – for example, consideration for financing an adaptation pathway with funding tranches associated with trigger points or thresholds, providing ample opportunities for managed flexibility, robust measures and bounded innovation in project development and implementation. Such approaches could help SIDS meet their long-term visions and objectives with robust and predictable finance, while maintaining the flexibility SIDS need to adapt to climate change.”
18. However, AEs and SIDS are not yet confident to pursue such an approach with the GCF, given the lack of clear policy guidance. Interviewees from AEs and countries advocated for including the following in the GCF’s programmatic approach policy:
 - Single- and multi-country programme options

- Simplified appraisal and approval for subprojects and expanding or contracting the number of participating countries, such as through delegated authority to the GCF Secretariat
- Clear guidance on how AEs' accreditation status affects funding limits for programmes and subprojects

2. PARADIGM SHIFT, SCALING UP AND REPLICATION

19. While “in the context of sustainable development, the Fund will promote the paradigm shift”, the GI also states that the GCF is to “ensure adequate resources for capacity-building and technology development and transfer. The Fund will also provide resources for innovative and replicable approaches.”⁸² **Although the concept remains ill-understood among stakeholders,⁸³ the GCF’s SIDS portfolio shows reasonably good potential to catalyse paradigm shift.** Slightly more than half of all SIDS funding proposals were rated as high or medium-high on paradigm shift by the iTAP and Secretariat – similar to those of non-SIDS.⁸⁴ Very few SIDS funding proposals were rated low or low-medium (one by the Secretariat; two by the iTAP) (See Annex 5 Chapter VI). Table VI-2 provides some examples of paradigm shifts SIDS stakeholders anticipate will result from GCF-funded projects.

Table VI-2. Respondent-described examples of national paradigm shifts in SIDS GCF projects

COUNTRY	STAKEHOLDER EXPLANATION OF PARADIGM SHIFT
Republic of the Marshall Islands	Climate modelling predicts RMI’s inhabited atoll islands will experience longer and more frequent droughts. FP112 is expected to ensure water security for every village on all 25 outer islands for the next 25 years.
Barbados	FP060 will install solar photovoltaic systems to back up natural gas microturbines and water pumping stations so that in the event of power failure, either island-wide or site-specific, water production and distribution will continue for island communities.
Belize	FP101 is the first initiative ever to address the sustainability and profitability of every step in Belize’s agricultural value chain.
Tuvalu	In Tuvalu, an ambitious project revision is aiming to raise the country’s main island by 0.9 metres to offset the sea level rise forecasted to occur between now and 2100.
Kiribati	The most populous island chain in Kiribati, South Tarawa, is one of the remotest, yet most densely populated locations in the world. ⁸⁵ Its fragile water supply is deteriorating due to salinization, overextraction and pollution. FP091 will secure and climate-proof access to potable water for the entire island by introducing two utility-scale desalination plants powered by solar PV.
Mauritius	Stakeholders expect the GCF-funded renewable energy project will enable the country to achieve its NDC target and provide energy security and cost savings for the country. They also expect it will serve as a catalyst and enabler of future initiatives in the renewable energy sector, including those by the private sector. ⁸⁶

Source: Country case studies (see Annex 4); IEU, 2019a.

⁸² GI, para 38.

⁸³ IEU, 2019a; GCF, 2019b.

⁸⁴ AEs are requested to provide a full description of a project/programme’s paradigm shift potential in section E.2 of the funding proposal, which refers to the theory of change, and should describe how the project intends to follow certain assumptions and remove barriers for transformative change and promote paradigm shift in low-emission and resilient development pathways (GCF Programming Manual 2020, page 117).

⁸⁵ Office of the Beretitenti, 2012.

⁸⁶ IEU, 2019a.

a. Scaling and replication potential

20. Vulnerable countries, such as SIDS, are in need of innovative approaches to foster technology development and transfer that take into account SIDS' specific contexts. The potential for scaling and replication is key as it ensures such uptake and thus ensures effective implementation of investments by the Fund. **The IEU DataLab analysis found that GCF-funded SIDS projects have less potential to scale in-country than non-SIDS projects** (as shown in Figure VI-6). Interviewees explained that this is because, relative to country population size, GCF project investment is able to achieve a higher coverage of SIDS' populations, or near-saturation coverage of a subpopulation. Consequently, scale-up in the target sector may require a different design, instead of expansion. For example, FP112 in RMI will improve water security for every village in the country outside the two highly urbanized main islands, which require utility-scale solutions. Conversely, in Kiribati, FP091 will resolve water security for the entire urbanized population of the country. However, the utility-scale solutions are inappropriate for small outer island communities. Still, there is potential for GCF finance to scale up previous investments from other financiers, as discussed in the section on complementarity and coherence.
21. Another challenge to scaling in-country is that interviewees state that **GCF projects also do not do enough to raise the "absorptive capacity" of government ministries to mainstream initiatives**. For various reasons, despite decades of recurrent sector support, many SIDS remain highly reliant on foreign aid, with official development assistance representing a large percentage of countries' GDP. Thus scaling – or even "sustainability" – is often achieved by replacing one donor-funded project with another. Scaling is a GCF expectation that is generally not backed up by project components to make it realistic beyond the project. Besides the GCF's SAP modality requiring less than USD 10 million of GCF contribution and minimal to no environmental and social risks and impacts (with an ESS category C/I-3), it also asks for a clear potential for "scale-up" and transformation while promoting a paradigm shift.⁸⁷ While the IEU's SAP review has shown that most SAP projects did not support scaling up, SIDS in particular are facing this challenge, which limits the application of this modality.

"There is a huge potential in SIDS for renewable [energy]. Barriers remain in terms of scaling, scoping and finance. SIDS must remain vigilant in how we harness the blue economy. We are the custodians of the world's oceans."

- Tweet by AOSIS Chair as key takeaways from the WaveEnergy SIDS event, 3 October 2020

⁸⁷ Decision B.18/06. SAP was approved to "reduce the time and effort needed in the preparation, review, approval and disbursement procedures for proposals of certain activities."

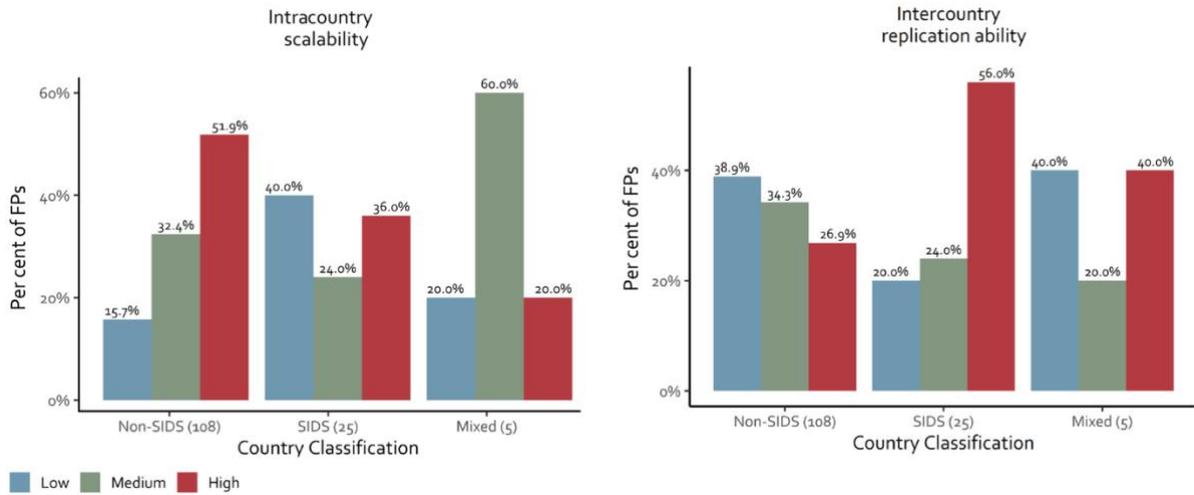


Figure VI-6. Potential for scaling in-country and intercountry replication

Source: Funding proposals, as of 31 July 2020, as analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

22. **In contrast to scaling potential, GCF projects in SIDS forecast twice the potential for replication across countries, relative to non-SIDS projects** (see Figure VI-6). Interviewees suggested two reasons for this. **First, some neighbouring SIDS have similar geo-climatic contexts and economic and demographic challenges. Therefore, solutions found to be impactful and feasible in the context of one SIDS may be readily transferable.** A clear example of this potential is in the Kiribati and RMI examples above. Kiribati’s utility-scale water project for its densely populated urban islands may be applicable to RMI’s two urbanized islands. RMI’s appropriate-technology approaches to outer island water security may be equally applicable to the outer island communities of Kiribati.
23. **Second, SIDS countries, regional multilateral bodies and the regional arms of global multilateral agencies are relatively well networked with each other within their regions.** Interviewees shared examples of requests for replication within SIDS from one AE to another, while also raising the challenge that GCF processes (e.g., through SAP) are not yet designed to expedite the replication of previous projects that demonstrated effectiveness. An informant from the GCF Secretariat suggested that replication could be accelerated if the GCF could better incentivize the use of sequenced, multi-country projects or programmes. Through its business model, the GCF provides an opportunity to further utilize the established regional networks of partners – in particular, regional DAEs and multi-country projects and programmes.

3. INNOVATION

24. To reiterate, the GI refers to the need for innovation and replication by requesting the Board to “ensure adequate resources for capacity-building and technology development and transfer” and the Fund to “provide resources for innovative and replicable approaches.”⁸⁸
25. Technically, AEs can refer to the innovative approach taken by their project/programme in different parts of the funding proposal, in particular in section D, the “Expected Performance against Investment Criteria”, and section E, the “Logical Framework”. However, guidelines contain no clear request for a thorough description in those sections. There is also no definition or categorization of

⁸⁸ Paragraph 38 of the Governing Instrument.

types, scale, context and intensity of innovations that are to be described in the funding proposal, available to the AEs and other stakeholders.

26. Despite the lack of clarity, iTAP and Secretariat assessments identified innovation in around 89 per cent of SIDS projects, compared to 93 per cent in the AEs' self-assessment (Annex 5 Chapter VI). However, innovation is not systematically defined or scored by either iTAP or Secretariat Assessment. In addition, innovation is mentioned sporadically throughout investment criteria in iTAP and Secretariat Assessment. Such a lack of guidance regarding innovation renders the two sources of documents incomparable. The evaluation team notes that the PSF has been using a scorecard approach, in which innovation is mentioned. AE interviewees noted that they had not received any guidance on the concept of innovation and how it should be integrated into funding proposals. They have received comments that were subsequently addressed in the development and approval process of funding proposals. The GCF programming manual published in 2020 also remains mute on this.

Table VI-3. Illustrative quotes from the Secretariat's assessment and iTAP assessment on innovation

SOURCE OF DOCUMENT	QUOTE FROM THE DOCUMENT
iTAP	While the technical solutions adopted to increase the climate resilience of the port are typical in terms of disaster risk reduction practice, the way in which their choice was made and features calculated, draws from several technical and scientific sectors (modelling of wave climates, ocean dynamics, etc.) making this project innovative from the conceptualization standpoint. This approach to the preparation of the background study could be a potential model for other ports as well as other GCF-financed projects.
Secretariat's assessment	The overall project design has some good innovations that, when properly implemented, could lay the foundation for future programming that could scale up best practices and lessons from the project. The proposal could be further strengthened if it considers some of the well-established indigenous social infrastructure, resilience-building and financial risk management practices for scaling up. Further due diligence on the operational regulations of each of the mechanisms, as set out in the proposed conditions, may contribute to further ensure its impact and longer-term sustainability.
iTAP	The proposed project will catalyse a paradigm shift in Antigua and Barbuda's preparedness to the disaster risks reduction process from conventional development to an approach that prioritizes the adoption of innovative climate-resilient solutions and early action. In particular, preparedness is focused on the building and infrastructure sectors.
Secretariat's assessment	The proposed project will contribute towards the achievement of 9 of the 17 United Nations Sustainable Development Goals (SDGs), including: ... SDG 9 – Industry, innovation and infrastructure; SDG 11 – Sustainable cities and communities; and SDG 13 – Climate action.

Source: Independent Technical Assessment Panel and Secretariat assessments, as of 31 July 2020, analysed by the IEU DataLab.

27. The evaluation team developed a rubric to describe and understand different types of innovation in the GCF's SIDS portfolio and administered a corresponding AE self-assessment tool (48 per cent response rate). The rubric (see Annex 5 Chapter VI) contained dimensions for describing the following:
- Type of innovation (e.g. technology, policy or business model)

- Scale of innovation (central or peripheral to the project design)
 - Context of innovation (new to the world or to the country)
 - Intensity (incremental, radical or disruptive innovation)
28. A summary of the results of the self-assessment conducted during this evaluation is available in Annex 5 Chapter VI. The remainder of this section describes the types and scale innovations identified by participants.

a. Type and scale of innovation

29. **Technological, product or service innovations were the most frequently identified type of innovation by AEs** (Annex 5 Chapter VI), accounting for more than half of the innovations. Examples include new climate information system tools to provide Pacific communities with science-based climate adaptation and disaster risk reduction measures; the aggregation of 22 solar mini-grids to achieve scale in a Caribbean SIDS; and the use of volcanic subterranean cavities (impluvium) for water storage in an AIS SIDS.
30. According to the self-assessment, process, social or policy innovations accounted for about a third of the innovations identified. In Barbados and Bahrain, innovations in this area related to promoting adoption of rainwater harvesting, with a focus on homes and public buildings. Interviewees opined that policy innovations are needed to have truly impactful new solutions but can also be the most difficult because they can be politically challenging.
31. **Innovations in business models or financial instruments and structures in SIDS were the least frequently identified types of innovations in the self-assessments.** This finding contrasts to the call from the SIDS constituency to the GCF to use its transformational mandate to “promote and test new and innovative approaches to climate financing such as debt-for-climate swaps [and] climate-related insurance mechanisms” in the context of the update to the GCF’s strategic plan. While these innovations have not yet been funded, interviewees still saw potential for the GCF to engage with concerted effort. One interviewee from an AE in the Caribbean highlighted an innovation to develop a contingency grant to encourage private sector engagement in the renewable energy sector by removing some of their financial risk.

b. Context and intensity of innovation

32. **AEs report that only a small proportion (13 per cent) of innovations introduced in SIDS projects are new at the regional or global level.** Key informants also observed that most innovations are new to SIDS but are often adaptations of mainstream approaches in other countries.
33. Although not conventionally “new”, **traditional and indigenous knowledge in SIDS represents a potential and important source of innovation that could be better utilized in GCF projects.** Interviewees pointed out that in resource-constrained contexts, such as many SIDS, local and proven solutions often have a higher likelihood of adoption and maintenance (sustainability) than newer technologies. AEs self-reported that 62 per cent of sampled SIDS projects incorporate some form of local or indigenous knowledge or practices, although descriptive evidence for such claims was scant (see Box VI-3). The low levels of reported consultations with “Indigenous peoples and local communities” casts further doubt on the genuine, widespread identification and application of indigenous knowledge, while giving credence to the idea that social capital in SIDS is being underutilized to a large extent in the delivery of climate finance projects. Social capital, often described as the informal social networks within communities, is required to address the necessary behavioural change for the adoption of new technologies and approaches to climate threats. **Interviewees have stressed the importance of such networks being integrated into climate**

action and that the GCF should consider integrating such non-monetary activities into project implementation, to foster a sustainable approach to innovation and community-grounded climate solutions. EDA was also seen as an opportunity for harnessing the emergence of such traditional and community beneficiary-grounded climate solutions. However, with only one EDA project currently approved in SIDS, the underuse of this modality is a missed opportunity (see also Chapter V).

Box VI-3. Traditional knowledge as innovation in SIDS

Academic research supports as a best practice in climate action the convergence of knowledge from within and outside SIDS communities “that builds agency and enables researchers, practitioners and government officials to generate their own knowledge that can meet the adaptation needs of SIDS.”⁸⁹ Thus, this evaluation places value on recognizing, preserving and integrating traditional climate resilience measures within GCF-funded projects. AEs gave the following examples (not validated by the IEU):

- **Vanuatu:** Integrating traditional knowledge with scientific data and information to develop climate information for communities.
- **Comoros:** Using volcanic features for water retention (impluvium), utilizing local knowledge.
- **Antigua and Barbuda:** A developing concept is to work with CSOs to incorporate traditional knowledge to resolve land drainage challenges.
- **Belize:** An interviewee described a proposal under development to augment smallholder farmers’ traditional climate adaptation decisions with practical GIS technology.

34. Reported examples of more intense innovations include a CN being developed in the Pacific to conduct scientific research on the likely climate change-induced shifts of tuna stocks away from Pacific SIDS. The results would be used to facilitate negotiations between governments and industrial fishing fleets to redefine the exclusive economic zones of SIDS dependent on commercial fishing licences. In Tuvalu, a proposal to progressively elevate the height of the entire main island is a disruptive innovation that could set a precedent for all eight of the country’s low-lying islands, as well as other atoll island countries such as Kiribati and RMI.

c. Constraints and opportunities for promoting innovation in SIDS

35. Interviewees identified additional factors internal and external to the GCF that influence the optimal pursuit of innovative solutions in SIDS. One key factor is a lack of understanding among AEs of how the GCF interprets innovation. Another is a tension between innovation and interviewees’ perception of the GCF Secretariat and Board’s high-risk aversion. A third is that given the urgency for climate action in SIDS, some may prefer proven solutions. And last, while the principle of country ownership promotes national generation of project ideas, some SIDS report that they lack the networks and knowledge to conceive of what innovative solutions may exist to meet their challenges. Interviewees suggested that the GCF could accelerate innovation by facilitating improved regional peer-to-peer learning, backed up by seed funding to enable participants to investigate the feasibility of resultant innovation concepts.
36. The above constraints revolve around country partners’ twin concerns: (a) they lack access to external ideas, and (b) they lack confidence that “home-grown” innovations will be accepted. Such concerns reinforce perspectives shared by country stakeholders that knowledge-gathering missions by GCF Secretariat staff may foster a better understanding of contexts and help country partners to better work with the GCF’s selection criteria to address projects with difficulties or limited

⁸⁹ Kelman et al., 2015; Kuruppu and Willie, 2015; Kelman, 2017.

supporting information, or to evidence projects with exemplary performance or innovations that have high potential for replication and scaling. Such missions have only been undertaken to a very limited extent so far and learnings across the Fund have not been communicated back to stakeholders in the GCF ecosystem.

4. COMPLEMENTARITY AND COHERENCE

37. **While the GCF is the newest climate fund, it already represents the biggest climate fund delivery channel in almost half the SIDS it serves.** Between 2015 and 2020, the GCF financed 56 per cent of the total climate fund investments in the 40 GCF-eligible SIDS (Annex 5 Chapter VI). All SIDS have at least one climate action project funded by the Adaptation Fund, CIF, GEF or GCF (Annex 5 Chapter VI). **Given the high vulnerability of SIDS to climate change impacts, however, the collective expansion of coverage of climate finance is slow.** On average, since 2005, 38 new SIDS projects have been launched per year among all four climate funds. The GCF has averaged only six new projects in SIDS per year, in contrast to the GEF's average of 31 (Annex 5 Chapter VI).
38. Interviewees from some NDAs and DAEs described future intentions to upscale successful projects they had implemented with the Adaptation Fund using GCF funds. This is partly explained by **interviewees' perception that the GCF's higher level of funding is best positioned to upscale smaller climate action** that has been financed by other delivery channels and proved successful, as well as to fund large infrastructure investments (e.g., seawalls). One informant in the Pacific described the scale of GCF funding as an opportunity to take "small examples of success" and turn them into a "paradigm shift... nationwide [with] real, lasting impact." One interviewee from an NDA shared that GCF staff actively encouraged them to consider the GCF as an opportunity for just this kind of upscaling. Annex 5 Chapter VI presents several examples provided by informants. The key barrier to the GCF upscaling other climate funds' successes is the perceived lack of a "fast-track" process to upscale such projects. As mentioned above, in relation to scaling and replication, while the SAP was intended to play a role in scaling countries' pilot models, those benefits have not been realized to date.
39. **Together, bilateral and MDB channels provide significantly more climate finance to SIDS than the dedicated climate funds,** including the GCF. MDBs have delivered an average of USD 972 million annually to SIDS in climate finance since 2015, and bilateral channels have averaged USD 290 million annually between 2005 and 2018 (Annex 5 Chapter VI). The four climate funds have provided USD 174 million annually on average over the past 15 years. Their support is very unevenly distributed, with Caribbean SIDS receiving significantly more from both MDBs and bilateral funders than Pacific and AIS SIDS (Figure VI-7).

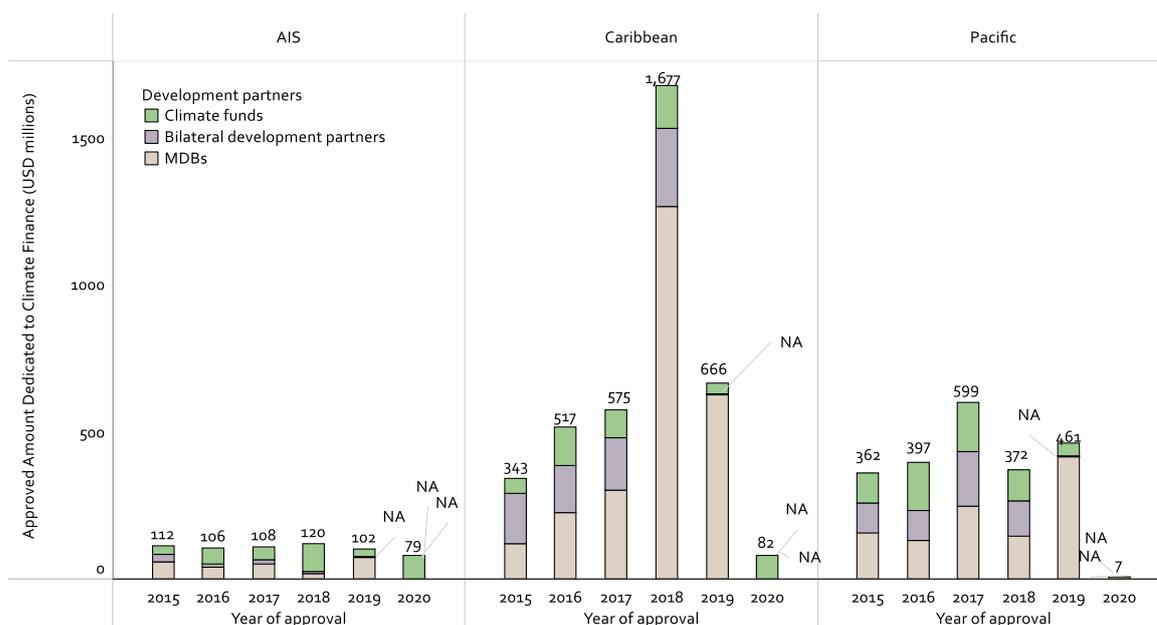


Figure VI-7. Distribution of dedicated climate finance to SIDS by regions

Source: For multilateral development banks data: Joint Report on Multilateral Development Banks' Climate Finance (2019). For bilateral development partners data: OECD (2018). For Global Environmental Facility data: Global Environmental Facility website (2020). For Climate Investment Funds data: Climate Investment Funds website (2020). For Adaptation Fund data: Adaptation Fund website (2020). For GCF-approved amounts, Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: For bilateral development partners, no data were available between 2019–2020, and thus they are marked as NA in the graph. For MDBs, no data were available for 2020, thus they are marked as NA in the graph as well.

40. **SIDS benefit from bilateral support that explicitly complements GCF programming.** Country stakeholders, AEs and other external agencies described how the New Zealand Ministry of Foreign Affairs and Trade, Australian Department of Foreign Affairs and Trade, USAID and the German GIZ each have programmes to support Pacific SIDS to access the GCF and other climate finance channels. The Commonwealth is also active in this area, including in the Caribbean. For SIDS, these bilateral donors provide expert support to improve the policy and regulatory environments, assist in the development of RPSP applications, and help national and regional agencies to assess and strengthen institutional weaknesses, such as their ability to conduct feasibility studies, gender and other safeguard standards, and management competencies. However, the evaluation found no evidence of capacity-building coordination between the GCF and SIDS' other international partners in relation to how their respective capacity-building efforts complement each other. Furthermore, interviewees opined that despite the strong efforts by bilateral donors on building capacity, some of this support does not translate directly into capacity that enables GCF projects and programmes. For example, the GCF's administrative, fiduciary, and environmental and social safeguards (part of the implementation challenges reported in APRs in Figure VI-2) were noted to be quite different to the capacities they had built through bilateral support.
41. **Little evidence was found of the GCF contributing to coherence in climate finance programming at the country level in SIDS, given its country-programming support.** GCF country programmes were not found to play a strong role in coherent national programming. Multiple interviewees observed that in SIDS the centralized management of their climate donors

under one department fared better on coherence than those who took a decentralized approach. Nevertheless, other factors hinder SIDS' climate finance coordination efforts. **Countries with small government administrations and many partners cannot afford enough staff to manage the coordination of multiple donor partners and projects.** The GCF was often described by country and AE stakeholders as having too many proposal, fiduciary and policy compliance targets. The **absence of uniform standards and procedures among each of the climate funds as well as other donors exacerbates the coordination cost** and difficulty for AEs and small government administrations. Interviewees have pointed out that stakeholders, in particular NDAs, would require realistic support to marry country planning and programming with country strategic financial planning to reduce coordination burdens. The GCF country programme support through the RPSP could be a first step in the right direction, provided country programmes were less GCF-centric.

C. KEY FINDINGS AND RECOMMENDATIONS

1. KEY FINDINGS

42. The GCF's investments in SIDS support key climate-related needs for water management, energy, infrastructure, and climate information services, and are well aligned with national priorities. The current GCF SIDS portfolio, however, does not contribute much to other NDC priorities such as food security, fisheries, ecosystems protection and transportation, despite the importance of these areas to SIDS' economies and physical constraints. Additionally, the GCF's current results areas and impact element labels do not readily align with NDC labels.
43. Among projects under implementation, challenges to achieving results are largely as a result of the high transaction costs of operating in SIDS and procurement-related challenges (e.g. recruiting issues and transportation). The current low level of results in SIDS also reflects the early stage of the SIDS portfolio, with most projects only in their first year of implementation.
44. Multi-country projects in the GCF have been met by concern from SIDS stakeholders regarding the breadth and depth of results for local communities. Programmatic approaches are seen to have potential to overcome these issues by bringing larger volumes of funding to individual countries, whether in the form of a multi-country or a "whole-island" programme. However, AEs and SIDS NDAs are not confident to pursue them with the GCF until uncertainties around policy are resolved.
45. Self-reported engagement with local and indigenous communities suggests that they are an underserved priority in SIDS. Local communities and vulnerable groups are insufficiently engaged in meaningful consultations, especially during project implementation, and identification and utilization of indigenous knowledge and adaptations are undervalued as project innovations.
46. The GCF does not facilitate innovation in SIDS. SIDS project designs do not sufficiently pursue innovations and require more attention to be placed on innovative business models and financial instruments, as requested by SIDS. Project designers in SIDS hold unresolved uncertainties about the GCF's appetite for risks associated with innovating, and the burden of evidence for indigenous innovations.
47. Because the GCF has larger funding allocations than other climate funds, stakeholders perceive the GCF as best positioned to upscale successful smaller climate action that has been financed by other delivery channels. Opportunities have been identified for this in SIDS, but few have yet been developed and approved. The lack of "fast-track" processes to capitalize on such opportunities is seen as a constraint that the SAP has not overcome.

48. The absence of coordination between climate funds as well as other multilateral partners has negatively impacted SIDS, with small government administrations and many donor partners struggling to adopt and comply with the many and varied standards and procedures each climate finance delivery channel requires. Among other burdens, having to manage multiple donors increases costs by having to employ dedicated staff (often internationally) to manage each donor's compliance regime, among which the GCF's is often cited as the most complex. GCF country programming presents an opportunity to approach climate finance holistically from a country-level perspective but has been underutilized in that way.

2. KEY RECOMMENDATIONS

49. The GCF Board should finalize the policy on the programmatic approach, with due consideration of the perspectives of SIDS and AEs in that policy. In particular, programmatic approaches should include both single- and multi-country programmes and include provisions to streamline the processes for subproject approval and changes, while ensuring due diligence. For efficiency, an "adaptation pathway" approach may be considered, which releases funding tranches that are triggered by accomplishing milestones of target thresholds; once a policy is adopted, the GCF Secretariat should provide clear policy guidance to give AEs the confidence to prepare programmes.
50. The GCF Secretariat should work with AEs and countries to pursue projects with more innovative business models and financial instruments, as requested by the SIDS constituency.
51. The IEU's evaluation of ESS found that the development of the environmental and social management system should include a stakeholder engagement policy and specific and tailored guidance for the implementation of the gender policy. This remains valid for SIDS.
52. The GCF should redefine its results areas and impact potential elements to unambiguously align with standard categories of priorities mentioned in the NDCs in SIDS.
53. To enhance complementarity and coherence in SIDS, the GCF Secretariat should work with other climate finance delivery channels to support better harmonization and coordination. This could include encouraging countries to look at GCF support for country programming as a comprehensive and holistic exercise, with a national pathway for change and activities across domestic and international climate finance delivery channels. The GCF could participate in efforts for simplification and harmonization (e.g., a single approach to reporting, using established procurement processes, relying on previous studies that underpinned the prior investment), which are critical for SIDS. Programmatic approaches that align the work programmes of multiple partners could also further foster such coordination efforts.

Chapter VII. THE GCF AND PRIVATE SECTOR IN SIDS

A. INTRODUCTION

1. This chapter reviews the GCF's experience with private sector engagement and investment in SIDS. It responds to the following overarching questions:
 - To what extent is GCF finance suited to and addressing the needs of the private sector in SIDS? Is the GCF supporting activities to enable private sector involvement in SIDS?
 - To what extent is GCF finance helpful in mobilizing private sector investment for SIDS?
 - To what extent is GCF finance helpful in improving the resilience of the local private sector and de-risking investment by local private sector entities in SIDS?

B. DATA AND ANALYSIS

1. GCF MANDATE

2. **This evaluation's focus on private sector engagement in SIDS draws on the mandate and guidance from the GI, GCF Board decisions and COP guidance.** The GI calls for the GCF's PSF to "promote the participation of private sector actors in developing countries, in particular local actors, including small- and medium-sized enterprises and local financial intermediaries." Specifically, it calls on the PSF to "support activities to enable private sector involvement in SIDS and LDCs." The GI states further that the Fund "will catalyse climate finance, both public and private, and at the international and national levels." GCF Board decisions and COP guidance have reaffirmed that the GCF should provide support for private sector engagement in SIDS, including through the PSF and RPSP.⁹⁰ Four years after being requested by the GCF Board and two years after encouragement from the COP, in 2018, the PSAG provided its recommendations on modalities to support private sector engagement in SIDS and LDCs (Annex 5 Chapter VII).⁹¹
3. From an operational perspective, the GCF's initial strategic plan emphasizes the role of its PSF in meeting its objectives, and states this should occur by "crowding-in and maximizing the engagement of the private sector."⁹² The draft Updated Strategic Plan further underscores the importance of realizing the potential of the GCF to "catalyse private sector finance at scale."⁹³ These core documents also firmly underline the importance of co-finance and the Fund's leverage effect.

2. PRIVATE SECTOR ENGAGEMENT AND APPROACH

4. **While the GCF's strategic plans and the PSF's self-stated purpose align with an objective to leverage private finance to realize the scale of climate ambitions, interviewees emphasize the importance of supporting the climate resiliency of the private sector in SIDS.** The PSF aims to "de-risk the delivery of private capital and private sector investment flows for low-carbon and

⁹⁰ Decision B.04/08; B.07/08; B.15/03; B.17/06; B.19/18; B.24/04; UNFCCC Decision 10/CP.22.

⁹¹ Document GCF/B.19/31: PSAG recommendations on the development of modalities to support activities enabling private sector involvement in LDCs and SIDS, 12 February 2018.

⁹² Decision B.12/20, paragraph (a) and annex I.

⁹³ Document GCF/B.25/09: Updated Strategic Plan for the Green Climate Fund: 2020–23. Draft by the Co-Chairs, 26 February 2020.

climate-resilient development.”⁹⁴ The PSAG’s recommendations for SIDS also emphasized opportunities to scale up private sector financing. Existing international climate commitments show that public finance alone is insufficient to meet the scale of climate change adaptation and mitigation needs.⁹⁵ The Paris Agreement also recognizes the need for the private sector to support climate change goals.⁹⁶

5. **But critically for highly vulnerable countries such as SIDS, the local private sector faces significant risks from the impacts of climate change.** Impacts such as sea level rise and extreme weather events can damage private sector assets and public infrastructure (e.g. roads, ports, electricity, water) that the private sector relies on to operate.⁹⁷ Climate change can also disrupt business operations, including workforces and external value chains, and impact market conditions, including the demand for certain products and services. Regulatory and policy responses to mitigate climate risks may also require the private sector to modify its operations. Considering the local private sector in SIDS and potential modifications to their operations, remittances play an important role in SIDS’ economies as the largest source of external financing.⁹⁸ With an understanding of the implications remittances have on SIDS’ markets, support for the local private sector in SIDS to enable a more resilient private sector can come through either of the GCF’s funding windows, as discussed further below. **These dual objectives point to broader issues within the GCF around a common understanding of and differentiated, context-sensitive strategy for the private sector.**
6. Interviewees underline the findings of the IEU’s evaluation of the GCF’s Country Ownership Approach (COA) that private sector support is not yet sufficiently integrated in the processes of the GCF to support country-owned and country-driven project development.⁹⁹
7. **Many interviewees opined that the PSF’s conception of the private sector bears no resemblance to the micro-scale, low-capital base and low capacity for risk of national businesses most common in SIDS** (Box VII-1). As previous IEU evaluations have pointed out, the PSF does not have an overall strategy and thus also does not have a strategy for engaging with SIDS.¹⁰⁰ The PSAG’s recommendations¹⁰¹ have not yet been translated into operational actions in the PSF. Only one third of survey respondents agreed that the GCF’s approach to the private sector is generally appropriate to support local private sector entities in SIDS (Annex 2). Interviewees from SIDS governments, private sector organizations and AEs emphasized the micro-size, risk adversity and higher reliance on the public sector of the private sector in SIDS.

⁹⁴ GCF, 2019.

⁹⁵ IPCC, 2018a; UNEP, 2018.

⁹⁶ UNFCCC Decision 1/CP.21. FCCC/CP/2015/10/Add.1: Adoption of the Paris Agreement; CPI 2019.

⁹⁷ Fayole, 2019.

⁹⁸ OECD (2020) External financing to Small Island Developing States (SIDS): where we stand. Factsheet. Available at: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/SIDS-factsheet.pdf>

⁹⁹ IEU, 2019b.

¹⁰⁰ IEU, 2019b.

¹⁰¹ GCF/B.19/30. PSAG recommendations include the development of a private sector outreach plan.

Box VII-1. The private sector in SIDS

The private sector in SIDS is dominated by MSMEs, often reliant on short-term capital and characterized by low risk tolerance. Still, there is heterogeneity among SIDS, as some have more dynamic private sectors than others. The private sector in the Caribbean can be divided into two categories: (1) tourism- and service-based economies, and (2) commodity-exporting states.¹⁰² The Pacific private sector consists largely of agriculture and fishing enterprises that provide subsistence needs and limited export opportunities. The smallness, remoteness and “internal dispersion” of these SIDS, together with the small scale of domestic markets, all limit economic opportunities. Microstates such as Kiribati, RMI and Tuvalu have even smaller business communities. Some African SIDS have a fast-growing tourism industry and a sizeable fisheries sector.¹⁰³ In Mauritius, for example, one interviewee noted that the country had a “dynamic financial and tourist sector” that is internationally connected. Seychelles has been able to develop from a primarily agricultural economy to one that includes a robust tourism industry¹⁰⁴ LDC SIDS, such as Comoros, have a more nascent private sector.

8. **A lack of institutional incentives also poses challenges.** Interviewees asserted that the Secretariat’s key performance indicators, focused on total volume of lending, can disadvantage the pursuit of private sector projects in SIDS. Smaller private sector deals in SIDS can be time-intensive, taking as much effort as much larger deals in non-SIDS. High transaction costs for investments in SIDS, in particular for remote islands and areas, are considered a barrier for supporting activities and investments. This aspect is seen as further exacerbating the lack of private sector in GCF-funded activities. Interviewees opined that projects with a private sector focus would largely focus on technology innovations in mitigation, in particular the energy sector, and tend to follow a multi-country approach. The IEU’s funding proposal portfolio analysis has shown similar trends in PSF projects in SIDS, which are mostly oriented towards mitigation efforts and mostly follow a multi-country approach. This will be described in-depth in this chapter.

9. **Interviewees from the private sector, AEs and some NDAs also raised similar business model-related issues around private sector engagement that have been raised in past IEU evaluations.** These relate firstly to access.

Secretariat staff report difficulties in identifying willing IAEs to carry PSF projects forward in SIDS. Few DAEs are accredited for non-grant instruments, and no private commercial entities are accredited for SIDS, as also discussed in Chapter IV.

10. Other issues also relate to the rigour and duration of the project development and approval process, with the private sector “not interested in actions that take a long time before there is access to funding”, in the words of one informant from an NDA. The knowledge and capacity of NDA / focal

“The private sector still relies heavily on the public sector but now realize that they have to be involved in building their own resilience.”

- Respondent from a SIDS NDA

“Small businesses [in SIDS], they need [GCF finance]. They don’t have the access to finance – the commercial banks do not have this within their mandate and are not trained on this. And SMEs don’t have the collateral. The [climate] investment may seem like it’s costly, but we want to change this mindset, to see the benefits.”

- Respondent from a SIDS private sector organization

¹⁰² World Bank, 2016a.

¹⁰³ World Bank, 2017a; World Bank, 2017b.

¹⁰⁴ World Bank 2017a.

points for private sector engagement are also often considered weak, with limited awareness of GCF financial instruments and potential use of operational modalities. **On possible GCF modalities, interviewees from AEs and the Secretariat described the GCF RfP modality, more specifically the EDA, as a promising opportunity to better engage the local private sector in GCF-financed climate action.** To date, FP061 is the only EDA project approved for SIDS. In response to the RfP in July 2016, this project aims to address integrated physical adaptation and community resilience through an enhanced direct access pilot in the public, private and civil society sectors of three Eastern Caribbean SIDS and is designed to meet the objectives of the RfP. Notably, these objectives are to enhance country ownership of projects and programmes by devolving decision-making at the country level, allowing greater involvement and input from impacted stakeholders. The RfP on Mobilizing Funding at Scale was largely unknown to interviewees in SIDS. The RfPs are described in-depth in Chapter V.

11. The low uptake of RfPs is considered a missed opportunity for SIDS. Interviewees opined that the lack of use of alternative modalities is also linked with the gaps between RPSP support and actual development of CNs and subsequent funding proposals.
12. Importantly, it must be recognized that **GCF private sector engagement is not limited to project finance through the PSF alone, but also includes projects managed by the DMA and preparatory support efforts managed by the DCP.** The Fund, however, has not established an integrated approach for strengthening the entire engagement with the private sector across its operations. The IEU evaluation team observed private sector engagement, even if limited, through multiple channels from the Fund, without a clear integration across the Fund's activities and funding windows.
13. The private sector in SIDS faces many challenges that both present barriers for project development and can be addressed by GCF activities, as described and summarized in Table VII-1.

Table VII-1. SIDS barriers identified by PSAG review and in SIDS' RPSP proposals and funding proposals reviewed by the IEU

BARRIER	PSAG	RPSP	FPs
Constraining policy, planning and regulatory environments	●	--	●
Investor challenges of working in new, small, isolated markets	●	--	--
High business costs	--	--	●
Insufficient technical capacity, related to technologies and market opportunities, and difficulty retaining this capacity	●	●	●
Lack of engagement on the issue of climate change and awareness of response technologies and approaches	●	●	--
Lack of reliable/cheap internal logistical/distribution chains	●	--	--
Limited ability to develop bankable projects for the GCF	--	●	
Limited access to financing	●	--	●
Limited access to markets or small local market size	●	--	●
Limited knowledge of the GCF and its processes	--	●	--

Source: Fluxx RPSP data, and funding proposals, as of 31 July 2020, as analysed by the IEU DataLab.

Note: ● SIDS barriers identified in this area. | -- SIDS barriers not identified in this area.

3. SUPPORT FOR PRIVATE SECTOR ENGAGEMENT THROUGH THE RPSP AND PPF

14. **The evaluation team’s review of SIDS RPSP proposals shows a significant maturity gap between the type of support currently being provided for the private sector and the development of actual projects.** While nearly all RPSP proposals in SIDS mention the private sector, most of the proposed support activities identified in these documents were primarily geared towards engagement in early stages (e.g., consultation or awareness), as shown in Table VII-2. Less than a third of RPSP proposals included at least one mature form of support such as a specific study or pipeline development. **Very few RPSP proposals seek to identify a potential private sector DAE for accreditation (9 of 83) or to provide pre-accreditation (2 of 83) support to such an entity (See Annex 5, Chapter VII).**¹⁰⁵ No RPSP proposals in SIDS attempt to support the enabling environment to crowd-in private sector investment, such as through a strengthened regulatory or policy environment, as laid out in the GI and recommended by the PSAG for the RPSP.

Table VII-2. Most common and less common areas of RPSP support for the private sector

MOST COMMON AREAS OF SUPPORT	LESS COMMON AREAS OF SUPPORT
Engaging private sector entities in country consultative processes (e.g., the development of country programme or comparable strategic document, identification of priority projects)	Developing a study, strategy or plan related to the private sector (e.g., background study on private sector opportunities or a strategy for attracting private sector investment for low emissions and climate resilience projects)
Building awareness among private sector actors of key GCF procedures	Supporting mechanisms for market activation and reform ¹⁰⁶
Supporting private sector scoping for general engagement opportunities with the private sector (e.g., prospective private sector entities and projects, and potential private sector roles)	Supporting the project pipeline for private sector projects (e.g., help develop CNs and/or funding proposals for private sector projects, support preparation/approval of a project to be implemented by a private sector DAE)

Source: RPSP proposals, as of 31 July 2020, analysed by the IEU DataLab. See Annex 5 Chapter VII for details.

15. **The predominance of early engagement activities supported by the RPSP are consistent with findings from interviews as well as country studies, which acknowledge that the private sector lacks awareness of the GCF.** Increasing awareness is a first building block for deeper engagement. For example, a key message emerging from multiple interviews with private sector actors in Belize was that the private sector must be aware of the GCF to be able to pursue opportunities; private sector awareness of the GCF in Belize is currently perceived as low. In the case of Comoros, GCF staff acknowledged that the private sector in Comoros has low awareness of climate questions and opportunities. A previous country study conducted for Mauritius as part of the FPR concluded that most stakeholders are unaware of the GCF’s PSF or the variety of financial instruments. Some interviewees suggested that private sector actors in SIDS may have some familiarity with the GCF

¹⁰⁵ This analysis excludes 16 SIDS RPSP proposals. These proposals did not have a proposal document or Fluxx RPSP data as of July 2020. There are 99 SIDS RPSP proposals in total.

¹⁰⁶ As identified by PSAG, these could include building awareness and demand for mitigation and adaptation goods and services, skilled local workforces and entrepreneurs, availability of affordable and appropriate technologies that match local needs, a local financial sector with the tools and understanding to finance climate investments, and enterprise development for local currency funding.

but not its intricacies. **The PSF currently has a limited role in the review of RPSP proposals, which could result in missed opportunities to link preparatory support to ongoing project identification and development efforts. There are currently no key performance indicators that would underline the importance of supporting private sector related activities, as per Table VII-2.**

16. **Still, some SIDS are moving towards more mature engagement with the private sector, demonstrating the potential of sequenced RPSP support.** In the Caribbean, for example, a regional RPSP grant to raise awareness among the private sector has spawned multiple other country grants to advance engagement. In Belize, a national RPSP grant intends to strengthen engagement through knowledge building, to build capacity within the private sector to develop GCF funding proposals, and will take an incubator-style approach to develop CNs with two private companies. In Jamaica, a national RPSP grant will help develop the green bond market.¹⁰⁷ This engagement includes a green bonds market assessment, training for relevant stakeholders and a promotional campaign for international investors. Support is intended to conclude with the development of a GCF CN to establish a green bond facility. Projects such as these demonstrate how the RPSP can support future private sector projects. These efforts, however, remain the exception in SIDS. **Overall, many of the countries with more mature private sector engagement through the RPSP are among the SIDS that are either more developed, have more vibrant private sectors and/or have had more success accessing the GCF to date** (e.g., Antigua and Barbuda, Belize, Jamaica, Cook Islands, Dominican Republic, Mauritius).
17. Countries can also access GCF readiness support to support the development and updating of country programmes. **As noted by other IEU evaluations for the GCF overall portfolio, the evaluation team found that country programme development has not been successful in building private sector pipelines from a SIDS perspective.** Most country programmes across all regions, and in particular in SIDS, have included very few private sector projects. Of 22 country programmes submitted to the GCF, 5 were from SIDS. None of the 37 projects identified in country programmes in SIDS are for the private sector (Annex 5 Chapter VII). This may partially be explained by the government-led processes; it also underlines the lack of clear strategic guidance by the GCF with regard to the private sector in preparatory support programmes and country programmes. However, country programmes also provide the opportunity to further link industrial policy and country ownership processes, as it should focus on existing national institutional arrangements for high-risk/high-reward investments in non-climate areas. In other words, it could utilize existing forums for national industrial policy where private sector actors have a proven track record of innovation.
18. Besides the RPSP, the Project Preparation Facility (PPF) is another opportunity for entities to request assistance for overcoming capacity constraints in developing GCF funding proposals. This assistance can be in the form of financial and technical support. The support can be provided in equity, instead of grants and repayable grants, to adjust to the private sector's project needs. This has, however, yet to translate into interest in project preparation through PPF proposals from the private sector. Such support includes feasibility studies and stakeholder engagement. **None of the four active PPF proposals in SIDS are for a private sector project.** Also, out of 20 proposals in the PPF pipeline in SIDS, only one is a private sector proposal. The private sector PPF proposal is an active proposal at the stage of CN clearance and will take place in Belize, Jamaica and Saint Lucia with the CDB.

¹⁰⁷ GCF, 2019b.

4. PRIVATE SECTOR RELATED GCF INVESTMENTS

19. As mentioned above, private sector related GCF investments include not only those managed by the PSF but also those managed by the DMA that have private sector focused components or activities. The following section therefore looks at both divisions within the GCF and their projects that engage local private sector actors. This was determined through the IEU’s review of the entire GCF investment portfolio in SIDS, which looked for evidence of engagement of the private sector in funding proposals, as described below.
20. **Support for the private sector in SIDS through the PSF has been extremely limited.** Just 7 per cent of total resources approved for SIDS have been routed through the PSF, compared to 39 per cent for non-SIDS. SIDS’ PSF projects are limited to grants and loans as the financial instrument. As shown in Figure VII-1, most resources approved have been for multi-country projects that include both SIDS and non-SIDS. These three multi-country projects include just one SIDS per project, which are larger countries with more dynamic private sectors (Mauritius, Dominican Republic). Just two single-country PSF projects (for a total of USD 56 million including co-financing) have been approved for SIDS, both through the SAP and both very recently (B.25 and B.26). From the perspective of the GCF portfolio in SIDS, PSF projects tend to focus largely on mitigation efforts, concentrating on the energy sector in particular. Nearly 69 per cent of PSF GCF investment in SIDS relate to the mitigation result areas, with 57 per cent of PSF GCF investments in SIDS directly linking to energy access and power generation. Also, three out of five PSF projects follow a multi-country approach (see Figure VII-1).¹⁰⁸ While just five PSF projects in SIDS may not be representative, the perceptions by interviewees were similar. Possible reasons provided for this issue, among others, were explained through high transaction costs, limited market capitalization, technical capacity constraints and constrains in planning and policy environment. These were closely aligned with the findings laid out in Table VII-1. Multi-country projects allowed for the required economies of scale to execute PSF projects.

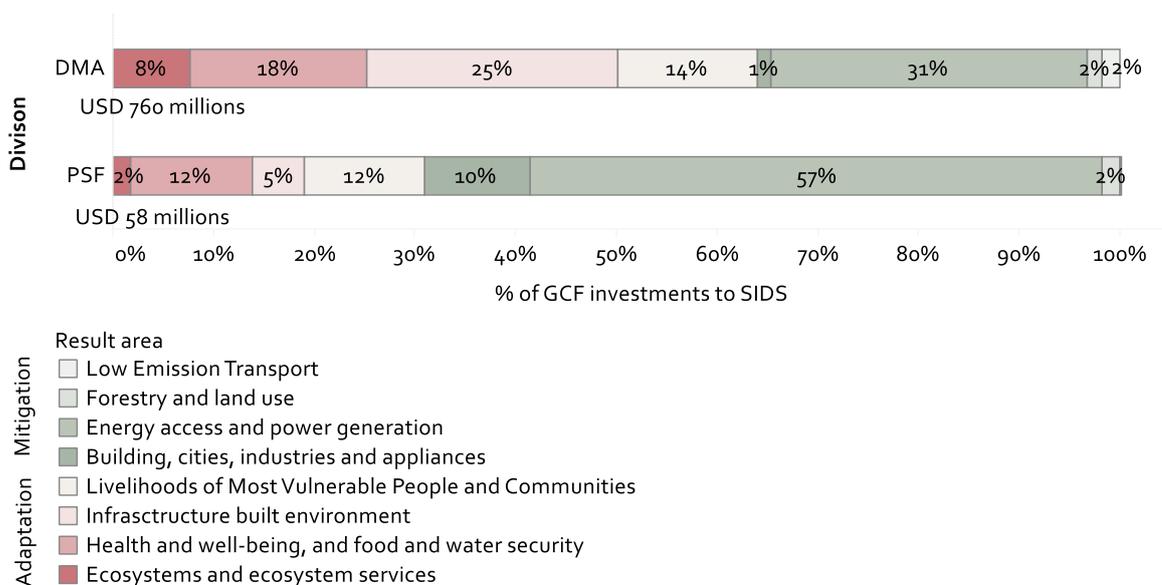


Figure VII-1. Distribution of GCF investments by result areas

Source: Tableau Server Finance data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

¹⁰⁸ IEU 2019b.

21. **Overall, the PSF portfolio in SIDS is in very early stages.** Four of the five projects have not yet disbursed in SIDS (Haiti, Fiji, Guinea-Bissau, Mauritius), and just 2 per cent of the total approved amount for the Dominican Republic under FP095 has been disbursed (USD 100,000) (Annex 5 Chapter VII).

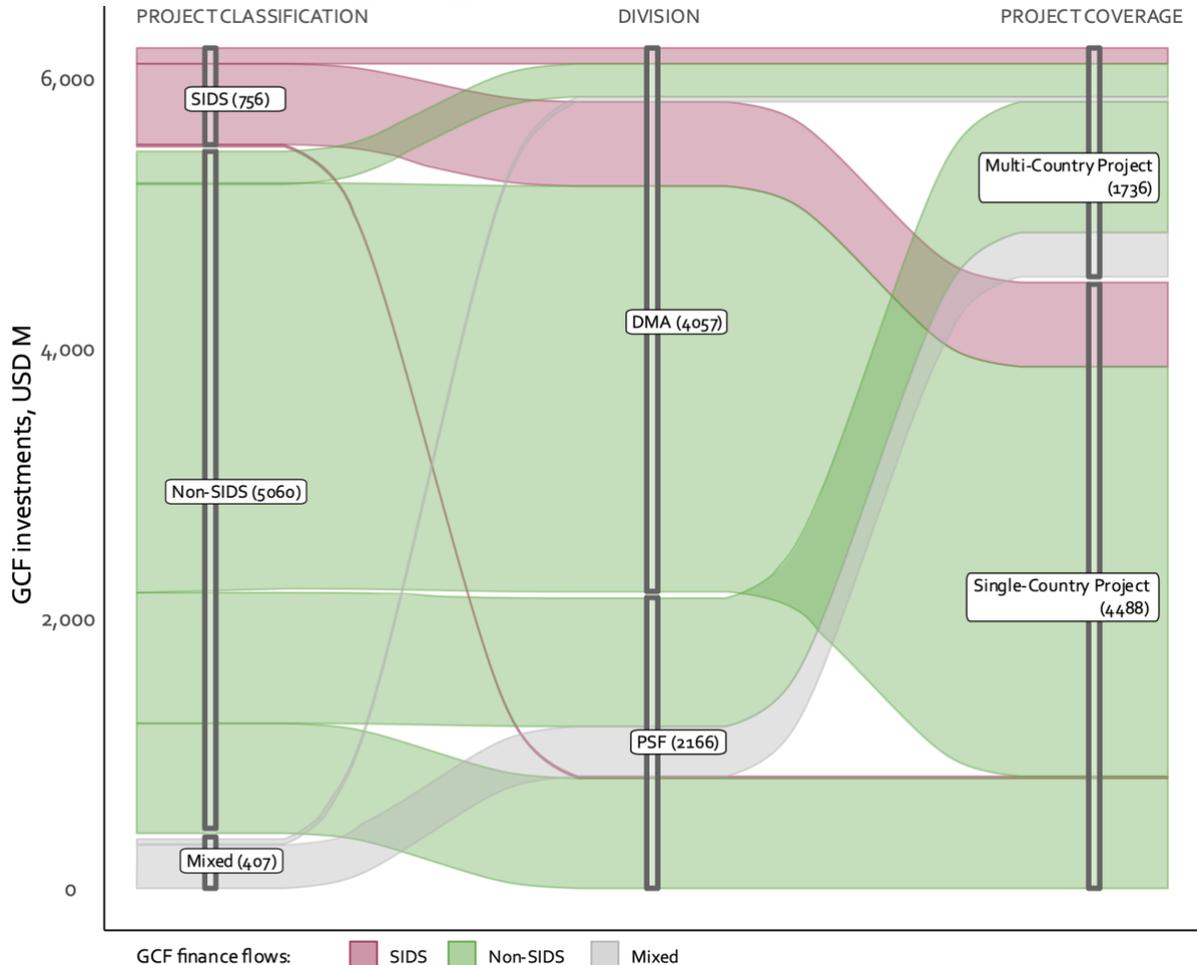


Figure VII-2. Approved GCF resources by GCF division and single- vs. multi-country projects, for SIDS and non-SIDS

Source: Tableau Server Finance data, as of 31 July 2020, analysed by the IEU DataLab.

Note: “Mixed” refers to multi-country projects that include both SIDS and non-SIDS. Numbers in the parenthesis denote GCF investments in USD millions.

22. **SIDS projects have been strikingly less successful in raising private sector co-finance than non-SIDS projects, especially via the PSF** (Annex 5 Chapter VII). SIDS PSF projects have only received private sector co-financing of USD 3 million, compared to over USD 2 billion among non-SIDS (Figure VII-3).

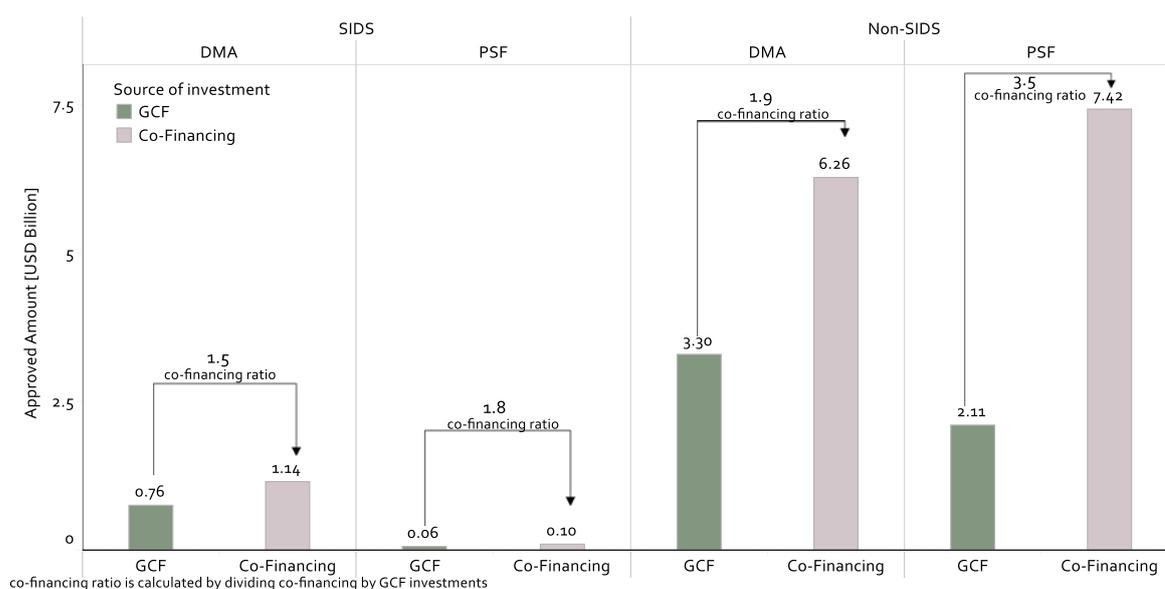


Figure VII-3. Co-financing ratio by division

Source: Tableau Server Finance data, as of 31 July 2020, analysed by the IEU DataLab.

- Every dollar of GCF PSF financing raises just five cents in private sector co-finance for SIDS, compared to USD 1.07 for non-SIDS. Only two cents of private sector co-financing are raised for every dollar of DMA financing for SIDS (Annex 5 Chapter VII). Furthermore, GCF support comes primarily in the form of a grant or a loan, using a less diverse range of financial instruments than non-SIDS (Annex 5 Chapter VII).

5. PRIVATE SECTOR ENGAGEMENT IN GCF INVESTMENTS

- In terms of local private sector engagement, one third of all SIDS projects (PSF and DMA) expect to mobilize additional local private sector resources that may not be officially counted as co-financing by the GCF** (Table VII-3). Examples of these additional private sector resources include independent project investments from local enterprises, matching grants, as well as additional loans for local financing institutions, such as credit unions, and other private sector investments that are yet to be determined. Expected mobilization of local private sector resources is stronger in AIS and Caribbean SIDS, with approximately two thirds of projects, compared to less than one tenth of Pacific SIDS projects.

Table VII-3. Share of funding proposals mobilizing additional private sector resources

		PUBLIC (DMA)			PRIVATE (PSF)		
Total	Adaptation	Mitigation	Cross-cutting	Adaptation	Mitigation	Cross-cutting	
10 (34%)	5 (33%)	1 (33%)	1 (17%)	1 (100%)	1 (50%)	1 (50%)	

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

- Given the importance of adaptation for SIDS, the Fund **still shows an overall lack of private sector adaptation projects in the GCF portfolio in SIDS**. Just one PSF adaptation project has been approved in SIDS (FP097). The development of private sector adaptation projects in SIDS encounters many of the challenges listed in Table VII-1, as well as general barriers to designing and

funding such projects, as identified in previous IEU evaluations.¹⁰⁹ These include the paucity of robust and well-defined business models or products to promote adaptation, and the long-term nature, with delayed return on investment and a focus on public goods. Missing data – a particular challenge in SIDS – are another barrier that prevents efficient market-risk models for private sector investments. The forthcoming adaptation evaluation will also address some of these issues with respect to the private sector in adaptation at the GCF portfolio level.

26. Despite the limited PSF portfolio, the evaluation team identified sizeable engagement of the private sector in SIDS through the DMA portfolio that could contribute to improving the resilience of local private sector actors in these countries. This support may also be consistent with the lessons of other development institutions working in SIDS, which show that SIDS' small size means that the “boundaries between the public and private sectors are unusually porous, and support for private sector development invariably requires close coordination with the government.”¹¹⁰ IEU DataLab analysis of funding proposals showed that over half of DMA projects plan to engage with the local or subregional private sector (Figure VII-3). Specifically, half of the public sector adaptation projects in SIDS plan to engage local or subregional enterprises,¹¹¹ and over one quarter plan to engage local or subregional financial institutions.¹¹² A substantial portion of funding proposals also plan to engage state-owned enterprises or quasi-governmental entities, which often provide services in SIDS that would normally be provided by the private sector in non-SIDS.

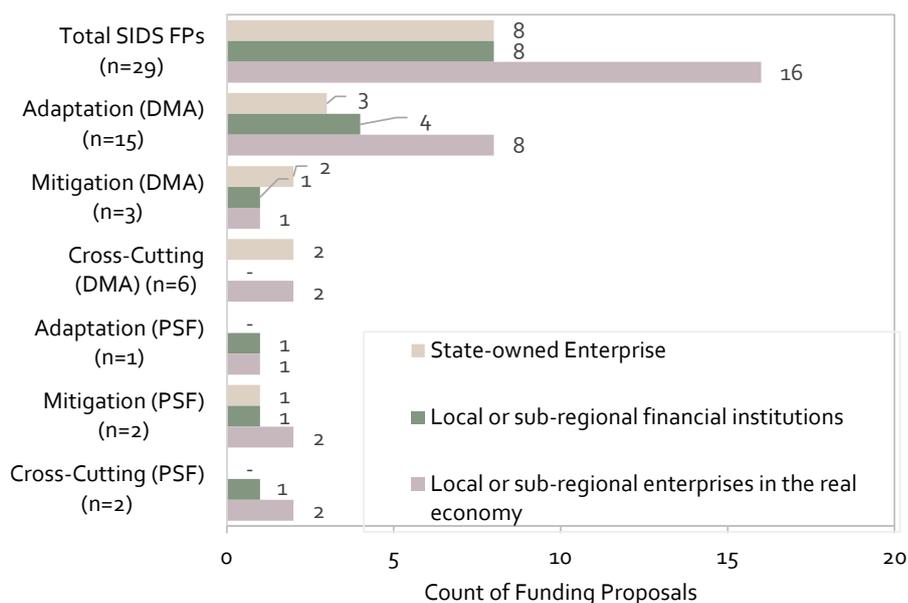


Figure VII-3. Count of SIDS' funding proposals that plan to engage local private sector actors

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

27. **There is some regional variation regarding private sector engagement in SIDS**, with nearly all SIDS projects in the Caribbean planning to engage the local private sector, while only about one

¹⁰⁹ IEU, 2019a.

¹¹⁰ World Bank IEG, 2016a.

¹¹¹ Local or subregional enterprises in the real economy include private sector entities that produce market goods or non-financial services. In the context of SIDS, these may include smallholders and individual or household entrepreneurs, cooperatives/associations and other non-financial private enterprises.

¹¹² Local or subregional financial institutions include banks, credit unions and institutional investors, such as insurance companies and private equity funds.

third of Pacific SIDS projects plan to engage them. AIS and Pacific SIDS projects more often plan to engage with state-owned enterprises (see Annex 5 Chapter VII). This may be attributable to the type of projects the GCF is supporting in the region, with more Pacific projects focused on infrastructure projects that are often led by the public sector.

28. **Through its investments, the GCF is supporting a range of financing modalities for direct support to the local private sector in SIDS.** Of the DMA adaptation projects in SIDS that plan to engage local enterprises, about half plan to provide direct support to those enterprises. As shown in Table VII-4, the SIDS projects to date include credit lines, a risk sharing facility, direct lending, microloans, blended loan financing modalities, a matching grant facility, a revolving fund and other instruments to engage the local private sector. Much of this support will focus on increasing the resilience of business in SIDS.

Table VII-4. PSF and DMA direct support modalities in SIDS

FP	DIVISION	DIRECT SUPPORT TYPE
FP095	PSF	Local financial partners will be provided with credit lines, which will be designed specifically to meet climate investments needs.
FP097	PSF	Intermediary Financial Institutions will be able to participate in a Risk Sharing Facility, funded by CABEI and GCF, so that they can provide credit access to MSMEs.
FP105	PSF	A direct lending facility will be established to support private sector solar investments. Bespoke debt financing structures and credit enhancements will be provided for local project developers and public institutions.
SAP013	PSF	Microloans will be provided to SMEs to support electricity technology adoption.
SAP016	PSF	A blended loan will be distributed through the FDB to support solar and battery energy storage installation.
FP020	DMA	The GeoSmart Initiative is to provide direct support for geothermal development operations through a majority private sector owned public-private partnership.
FP033	DMA	A GCF grant is to partially cover the upfront cost of investing in small- and medium-scale PV systems.
FP059	DMA	A Challenge Fund for climate-resilient commercial water users in the agricultural and tourism sectors is to provide post-investment grant subsidies for implementation of water efficiency measures and rainwater harvesting.
FP060	DMA	The Revolving Adaptation Fund Facility is to provide credit facilities for climate change adaptation and mitigation related to the water sector of Barbados.
FP061	DMA	Vulnerable households and businesses are to use GCF-supported microfinancing to respond to climate variability and projected climate change.
FP101	DMA	A Matching Grant Fund is to support resilient production and value chain development investments for smallholders in the agriculture sector.
FP037	DMA	A GCF grant is to support enterprise development focused on reducing flood risk in the catchment area. Resources will be used to facilitate the participation of vulnerable households in climate-resilient agri-businesses.
FP126	DMA	The government and the Food and Agriculture Organization will coordinate the purchase and distribution of the machinery, equipment and inputs required for the implementation of climate change resilient agriculture practices by farmers.

Source: Evaluation team review of SIDS' funding proposals.

29. **GCF investments are also providing indirect support to the private sector through a variety of approaches.** The most common approaches for indirect support included capacity-building and technical training; planning, regulatory, and policy support; and stakeholder coordination. Support for improving public sector infrastructure is also considered indirect, such as climate-proofing roads that can connect farmers to markets. For example, a project in Maldives is to provide a platform to facilitate private sector participation in the water sector and support the development of regulations to encourage cost-effective resilient water investments by the private sector. In Cuba, the GCF is to provide support for the strengthening of farmer capacities through technical trainings to improve ecosystem services. In SIDS such as Antigua and Barbuda and Belize, the GCF is supporting learning and TA for local workforces, with an emphasis on climate resilience. In Vanuatu, climate information services are to be improved for use by the tourism, agriculture, infrastructure, water and fisheries sectors.

C. KEY FINDINGS AND RECOMMENDATIONS

1. KEY FINDINGS

30. The GCF lacks a common understanding of and a context-sensitive strategy for the private sector. Private sector engagement is not limited to project finance through the PSF, but rather includes projects managed by the DMA and support managed by the DCP. Many interviewees opined that the GCF's conception of the private sector through its PSF bears no resemblance to the micro-scale, low-capital base and low capacity for risk of national private sector actors most common in SIDS.
31. While the PSF aligns with the objective to leverage private finance to realize the scale of climate ambitions, interviewees emphasized the importance of supporting the climate resilience aspects of the private sector in SIDS.
32. GCF RPSP support for private sector engagement in SIDS responds to early stage needs. There is a significant maturity gap between the type of RPSP support currently being provided for the private sector and the development of actual projects, with the majority of RPSP support directed at private sector consultations, awareness building and general scoping. Support through the PPF is yet to be seen for private sector projects.
33. Project financing through the PSF has been extremely limited and provided through loans and grants exclusively. Contributing factors include the lack of institutional incentives and strategy, challenges in finding interested AEs, high transaction costs and other general barriers to private sector development in SIDS that may be beyond the GCF's remit. Of the 13 accredited DAEs that operate in SIDS, none are private sector entities. Private sector DAEs are completely lacking in SIDS.
34. The RfP modality, in particular EDA, is seen as a promising opportunity to better engage the local private sector in GCF-financed climate action. However, to date only one EDA project has been approved for SIDS. The RfPs on MSME and Mobilizing Funding at Scale were targeting the private sector in particular; however, uptake was limited, and both RfPs have subsequently been closed.
35. GCF-funded projects (from both PSF and DMA) SIDS have raised significantly less private sector co-finance than in non-SIDS – just USD 18 million in SIDS, compared to over USD 3 billion among non-SIDS.
36. Considering only the PSF portfolio, the Fund shows an overall lack of private sector adaptation, with only 31 per cent of financing going to adaptation in SIDS. Despite the limited PSF portfolio, however, the evaluation team identified sizeable engagement of the private sector in SIDS through

the DMA portfolio that could contribute to improving the resilience of local private sector actors in these countries.

2. KEY RECOMMENDATIONS

37. The Board should adopt a private sector strategy that includes the following:
 - A clear common understanding of the private sector, including a reflection of the characteristics of local private sector actors in SIDS;
 - Objectives of private sector engagement, which should include both leveraging private sector investment to realize the scale of climate ambitions, as well as improving the resilience of local private sector and de-risking their climate-related investments;
 - A coordinated strategy among the GCF Secretariat's DCP, DMA and PSF teams for private sector engagement, including in SIDS, ranging from early stage consultation and awareness building to later stage project development. In the private sector strategy that the GCF Secretariat is developing, consideration should be given to building the resilience of the private sector as well as to leveraging private finance.
38. The Secretariat should develop approaches for innovative financing structures and instruments, as requested by SIDS. It should also develop approaches for engagement with MSMEs operating in constrained environments such as SIDS. Such approaches could include intermediary models that combine lines of credit with TA for subproject preparation, or suites of options to support the private sector to build resilience in specific sectors common to SIDS, such as tourism, fisheries, local traders/merchants and local private transport providers. The GCF Secretariat should re-design its key performance indicators to further encourage staff to work with AEs and SIDS to develop private sector projects – for example, by putting more emphasis on the number of countries with approved or pipeline projects rather than total finance volume.
39. The GCF needs to address the lack of private sector related DAEs (regional and national) through a reform of accreditation for private sector actors. To increase the Fund's portfolio of private sector adaptation projects in SIDS, the GCF should consider piloting the PSAA in this area. Such an approach could help alleviate the complete lack of access to private sector DAEs across all SIDS regions.
40. Following a critical review of the GCF's experience with the current RfPs, the GCF Secretariat should consider an RfP for private sector investments in SIDS. To ensure the success of the RfP, it should be sequenced after any structural or incentive issues with the RfPs are addressed and access issues are improved for SIDS.

Chapter VIII. CONCLUSIONS AND RECOMMENDATIONS

1. This evaluation focuses on the global challenge of climate change. Yet, no sooner did the IEU initiate its evaluation than another more immediate global challenge emerged and continues to “shift the paradigm”. Given COVID-19 appeared around the same time as the start of our study, and the logistical and methodological limitations it presented, this evaluation does not fully address the pandemic’s implications for SIDS. Certainly, the context of the evaluation has continued to change as a result of the pandemic, but only future evaluations will be able to understand COVID-19’s impact fully.
2. Future evaluations may also determine whether the findings and recommendations of this evaluation apply to contexts beyond SIDS (not least because SIDS themselves are highly diverse). What is clearly manifest from this evaluation is that the needs of SIDS are diverse, specific and urgent. These needs are addressed in the evaluation’s six overall conclusions and four areas of recommendations.

A. CONCLUSIONS

“Impacts of climate change [are] hitting us faster and harder ... Even me: I was living on an outer island and had to move to [the central island] because we had run out of water. We have had three different disaster declarations for months. Now we have a dengue epidemic. We have COVID, we have drought. Soon we come into king tide period. The tides are different now. This morning I was woken by the tide coming into my backyard. It never used to be like that.”

- Interviewee from a Pacific SIDS

3. **CONCLUSION 1. SIDS need support to address the impacts of climate change urgently. The GCF’s modalities and processes are not yet effective in addressing the specific challenges of climate change in SIDS and the urgency for climate action. The SAP and RfP for EDA are two modalities that, along with programmatic approach, have considerable potential to deliver climate results at scale in a country-driven approach and to accelerate investment in SIDS.**
4. Overall, the process to access GCF funding is not seen as commensurate with the urgency of SIDS’ needs to adapt rapidly to climate impacts. The SAP modality is seen as highly relevant for SIDS but not yet sufficiently simplified to accelerate climate action. SIDS’ project pipelines are shifting towards SAP, and thus the efficiency of the modality will become more critical. RfPs have not been effective in building a pipeline in SIDS. The RfP for EDA, however, is seen as having substantial potential to support the kind of local adaptation that research shows is relevant and effective in SIDS and to overcome the emerging pattern of lack of reported involvement by local communities in GCF-financed projects in SIDS.
5. Given the challenges to access faced by SIDS, other approaches are needed to substantially accelerate climate finance in SIDS. The programmatic approach – if appropriately designed in the Board policy – offers an opportunity to scale up finance in individual SIDS as well as regionally. A

properly designed programmatic approach will better tackle such issues as too thinly spread resources and the potential for high transaction costs among smaller SIDS' projects.

6. Rapidly increasing the GCF's accessibility to the most vulnerable will require a concerted refocus on how to increase the absorptive capacity of SIDS. It will also require simplified, flexible GCF processes that improve access for SIDS with lower fiduciary and administrative capacity, yet still balance accountability against risk.

“From concept to project proposal to implementation, our limited capacity continues to be a hindrance.”

- Ambassador Lois Young, Chair of AOSIS, Norway and AOSIS Luncheon on Climate Finance: Facilitating access for SIDS, 27 January 2020

7. **CONCLUSION 2. The current GCF model for accreditation and access is disadvantaging those SIDS with low capacity, experience or confidence in directly accessing the GCF.**
8. Issues related to coverage and incentives among AEs are creating substantial barriers in the ability of SIDS to access the GCF. Just 4 of 40 SIDS have access to a national DAE, and less than half of SIDS (and only a third of LDC SIDS) have nominated a national DAE. Nominated national entities in SIDS, compared to those in non-SIDS, have taken longer and been less successful in preparing and submitting accreditation applications due to a lack of skilled human resources.
9. Most SIDS have access to regional DAEs and prefer them as a partner because they have regional cooperative architectures, particularly in the Caribbean and Pacific SIDS. But many of these regional DAEs are overwhelmed with requests from countries for GCF project development relative to their staff capacity. Some regional DAEs work with up to 14 GCF-eligible SIDS yet have fewer than five staff members. It is not feasible for these DAEs to concurrently implement sizeable GCF-funded projects in all their member countries. Some regional DAEs are also serving as RPSP delivery partners for up to 12 grants per region. In addition, SIDS also face the limitations of regional DAEs' accreditation statuses. No regional DAE in the Pacific, for example, is accredited for on-lending.
10. While all SIDS have access to IAEs, these entities may not always be a country's partner of choice – more so among Caribbean than Pacific SIDS. At the same time, many IAEs report being disincentivized by what they perceive as high transaction costs when working with the GCF to pursue small-sized projects often associated with SIDS.
11. The AIS SIDS are being particularly left behind. Few currently have access to a regional DAE, none have access to a national DAE and some report challenges in identifying IAEs willing to carry forward their national priority projects. AIS pipeline projects only form 12 per cent of the total in SIDS. Language is also a barrier to working with the GCF in many of these countries.

“Change relies on protecting the most vulnerable, because those on the frontline – whether healthcare workers battling the pandemic or small island nations sounding the alarm on climate change – are critical to the survival of us all.”

- David Kabua, *President of the Republic of the Marshall Islands, seventy-fifth session of the United Nations General Assembly, Saturday, Sept. 26, 2020*

12. **CONCLUSION 3. The most significant barrier that SIDS face in accessing the GCF is a lack of capacity to develop CNs and funding proposals to the GCF standard. The RPSP and PPF are helping to address this, but approaches are not sufficiently tailored to the human resource limitations in SIDS.**
13. The explicit inclusion of support for CN development in the RPSP 2.0 Strategy was appreciated and has already been accessed by 24 SIDS. SIDS have experienced several challenges, however, in the delivery of this support. First, the RPSP is not currently systematically and efficiently bridging the gap between accreditation and capacity to prepare and implement a GCF-funded project. SIDS DAEs are experiencing long gaps between Board approval for accreditation and the approval of post-accreditation RPSP support. Second, some of the Secretariat’s and delivery partners’ approaches in SIDS, such as the new TA offer of support for CN development, are not sufficiently hands-on to build sustainable capacity. Strengthening capacity in microstates especially requires approaches that recognize the limits of training, workshops and one-off engagement. A limited pool of qualified consultant in SIDS also constrains NDAs’ and entities’ internal growth, as they become reliant on outsourcing. Third, regional DAEs, especially in the Pacific, report challenges in accessing RPSP funds (through NDAs) to build their capacities.
14. Lastly, a major concern for SIDS regarding GCF project development is the separation of climate change from development activities. Many SIDS lack the historical local or national climatological data necessary to substantiate claims that GCF investments are required for adaptation. Some countries and entities are using the RPSP to meet this data gap, but this can result in a multi-year delay for project preparation.

““[T]he GCF should have a higher risk appetite than other funds, as achieving the paradigm shift requires the Fund to balance risk management against high impact transformative action. This is especially pertinent for SIDS who have unique and particular vulnerabilities.”

- *SIDS inputs to the update of the Initial Strategic Plan for the GCF*

15. **CONCLUSION 4. GCF finance in SIDS has appropriately focused on grant-funded adaptation, although it is premature to assess the extent to which the GCF SIDS portfolio is achieving intended results. There is space for funding more innovation related to financial structures and instruments.**
16. The GCF Board has approved 29 projects that include SIDS for a total of USD 818 million. More than 60 per cent of GCF finance in SIDS has been focused on adaptation, consistent with the GI and the priorities of SIDS. Approved funding proposals are aligned with the climate needs and priorities of SIDS, including their NDCs, and interviewees in SIDS expect ambitious results from these projects. Although most GCF-funded projects in SIDS are still in start-up or early phases of

implementation, the number of potential beneficiaries self-reported by AEs in funding proposals represent between 4 per cent and 9 per cent of the population in SIDS. However, these numbers have not been validated by the Secretariat or the IEU.

17. The evaluation also concluded that the GCF has room for improvement in terms of funding more innovation in SIDS related to financial structures and instruments. To date, all GCF projects in SIDS have been funded via either grants or loans, and few projects self-identified an innovation in financial structures or business models. To answer the call from the SIDS constituency for innovation in this area, a wider use of financial instruments is warranted, provided it is balanced with the debt sustainability situation in many SIDS that is further exacerbated by the COVID-19 pandemic.

“The GCF is most relevant to the resilience-building efforts of SIDS and has the potential to be the most significant agent of change in SIDS.”

- *Survey respondent, Independent Evaluation of the Relevance and Effectiveness of GCF's investments in the SIDS*

18. **CONCLUSION 5. The GCF's approach to the private sector in SIDS is not sufficiently articulated or coordinated. However, despite a very limited PSF portfolio, there has been sizeable engagement to improve the resilience of local private sector actors in SIDS through the DMA portfolio.**
19. The evaluation team found that the GCF lacks a common understanding of and context-sensitive strategy for the private sector. Many interviewees said that the PSF's conception of the private sector bears no resemblance to the private sector in SIDS, which is dominated by micro- and small-sized enterprises, often reliant on short-term capital and with a low tolerance for risk and ability to absorb debt.
20. Overall, GCF support for private sector engagement in SIDS is in its early stages. There is a significant maturity gap between the type of readiness support currently being provided for the private sector and the development of actual projects. The type of private sector engagement planned in most RPSP proposals is focused on consultation, awareness building and general scoping. Very little GCF funding has been provided for SIDS through the PSF. Contributing factors include the lack of institutional incentives and strategy in the PSF, challenges in finding interested AEs, and general barriers and immaturities in private sector development in SIDS that may be beyond the GCF's remit.
21. Despite the limited PSF portfolio, the evaluation team identified sizeable engagement of the private sector in SIDS through the DMA portfolio that could contribute to improving the resilience of local private sector actors in these countries. The benchmarking analysis illustrated the importance of a coordinated approach to local private sector development across the public and private spheres.

“Time lags along the project cycle at the Fund level also pose hindrances, especially given the urgency of action needed on the ground in many of our countries.”

- Ambassador Lois Young, Chair of AOSIS, Norway and AOSIS Luncheon on Climate Finance: Facilitating access for SIDS, 27 January 2020

22. **CONCLUSION 6. The GCF policy landscape has the flexibility to accommodate the circumstances of SIDS, but certain policy and governance issues that are important to SIDS require further Board discussion and decisions.**
23. The evaluation concluded that GCF policies and frameworks leave room for potential flexibility for SIDS and that the Board considered the needs and capacities of SIDS in their discussion and decisions related to many of these policies and frameworks. The critical consideration is managing the flexibility in interpretation and application of GCF policies to account for the specific circumstances of SIDS. Guidance is lacking in terms of what flexible policy application looks like, which presents a risk for misinterpretation or misapplication.
24. Importantly, half of the policies that are of most concern and interest to SIDS – including incremental costs, concessionality, co-financing and programmatic approach – are yet to be approved by the Board. In particular, a lack of clear policy guidance on the programmatic approach is holding back AEs from developing such programmes for SIDS. Further engagement is also needed around the topic of the GCF’s role in financing activities related to loss and damage, which is of keen interest to SIDS.

B. RECOMMENDATIONS

25. The evaluation makes four major evidence-based recommendations to the GCF Board and Secretariat.
26. **RECOMMENDATION 1. Make improvements to RPSP support to improve direct access and address the capacity difficulties that SIDS are facing. GCF-funded capacity-building in SIDS should take more of an accompaniment approach, providing human resources to work side-by-side with government and DAE staff to build capacity over longer periods (months to years).**
27. **Recommendation 1(a).** The GCF Secretariat should bridge the gap between pre-accreditation and post-accreditation RPSP support by incorporating resources specifically for CN development into pre-accreditation RPSP grants, with the release contingent on Board accreditation. This could be a small amount, approximately USD 20,000–30,000, based on the cost to develop a CN as reported by DAE interviewees.
28. **Recommendation 1(b).** The GCF Secretariat should make entity- and project development-related support more accessible to regional DAEs and consider a separate window of funds that does not count against the per-country allocation of USD 1 million.
29. **Recommendation 1(c).** The GCF Secretariat should promote the availability of multi-year support for embedding advisers in NDAs and/or make that support more easily accessible (e.g. through a roster approach).
30. **Recommendation 1(d).** The GCF Secretariat should adjust its offer of technical assistance through the Readiness and Preparedness Support Programme to reflect the need for more hands-on support for writing CNs in SIDS.

31. **Recommendation 1(e).** The GCF Secretariat should expand the roster and contribute to building the capacity of RPSP delivery partners in SIDS. This would facilitate shifting the business model for regional DAEs from readiness to investment and help relieve the bottleneck caused by regional DAEs being the partner of choice for both RPSP and preparing funding proposals. Sharing lessons learned with NDAs and RPSP delivery partners could also help improve the effectiveness of capacity-building support offered to SIDS. For example, delivery partners could write terms of reference for consultants that focus less on one-off training or workshops and more on approaches that reflect the need for more accompaniment and mentoring.
32. **RECOMMENDATION 2. Accelerate and simplify the project cycle, especially for the SAP.**
33. **Recommendation 2(a).** The IEU's recent review of the SAP recommended that the Board develop a strategy for the SAP while focusing on processes that accelerate and simplify the project cycle, including consideration of delegation of authority to the Secretariat. Simplifying and accelerating the SAP is especially important for SIDS, because the growth in their pipelines is shifting towards this modality. The Board and the Secretariat should operationalize and implement the IEU's recommendations on the SAP.
34. **Recommendation 2(b).** In piloting the PSAA, the Board of the GCF should focus on making access faster and streamlined, to provide access through entities in SIDS that may otherwise not implement GCF projects.
35. **Recommendation 2(c).** The GCF Board and Secretariat should consider simplifying the funding proposal template to allow SIDS to cross-reference GCF country programmes, NDCs, NAPs, IPCC reports or other equivalent analyses in demonstrating overall national vulnerability to the impacts of climate change.
36. **RECOMMENDATION 3. Approve a policy on a programmatic approach with urgency and with consideration to the issues raised by this evaluation.**
37. **Recommendation 3(a).** The GCF Board should finalize the policy on the programmatic approach, with due consideration of the perspectives of SIDS and AEs in that policy. In particular, programmatic approaches should include both single- and multi-country programmes and include provisions to streamline the processes for subproject approval and changes, while ensuring appropriate due diligence.
38. **Recommendation 3(b).** Once a policy is adopted, the GCF Secretariat should provide AEs with guidance on the policy to build their confidence to prepare such programmes. The GCF Secretariat could also provide more "matchmaking" support for the development of these programmes, to encourage AEs and countries to pursue innovative elements within these programmes and subprojects, including those requested by SIDS' constituencies.
39. **Recommendation 3(c).** In appraising programmatic approaches, the GCF Board and Secretariat should ensure that they are closely linked with participating countries' NDCs, NAPs and long-term strategies, as well as other national entities and efforts for complementarity and coherence.
40. Programmatic approaches should be ambitious and could be innovative. For example, the GCF could consider financing an individual SIDS' adaptation pathway with funding tranches associated with trigger points or thresholds; such an approach would provide ample opportunities for managed flexibility, robust measures and bounded innovation in project development and implementation. Such approaches could help SIDS meet long-term visions and objectives with robust and predictable finance, while maintaining the flexibility SIDS need to adapt to climate change.

41. **RECOMMENDATION 4. Ensure the GCF's approach to private sector engagement reflects the complexion of the local private sector in SIDS and a coordinated approach across the Secretariat and its divisions and facilities.**
42. **Recommendation 4(a).** The Board should adopt a private sector strategy that includes the following:
 - A clear common understanding of the private sector, including a reflection of the characteristics of local private sector actors in SIDS
 - Objectives of private sector engagement, which should include leveraging private sector investment to realize the scale of climate ambitions, as well as improving the resilience of the local private sector and de-risking their climate-related investments
 - A coordinated strategy among the GCF Secretariat's DCP, DMA and PSF teams for private sector engagement, including in SIDS, ranging from early-stage consultation and awareness building to later-stage project development
43. **Recommendation 4(b).** The Secretariat should develop approaches for innovative financing structures and instruments, as requested by SIDS. It should also develop approaches for engagement with MSMEs operating in constrained environments such as SIDS. Such approaches could include intermediary models that combine lines of credit with TA for subproject preparation, or suites of options to support the private sector to build resilience in specific sectors common to SIDS, such as tourism, fisheries, local traders/merchants, and local private transport providers.
44. **Recommendation 4(c).** The Secretariat should develop performance indicators that encourage development of private sector projects in a larger number of SIDS.
45. **Recommendation 4(d).** Following a critical review of the GCF's experience with the current RfPs, the GCF Secretariat should consider an RfP for private sector investments in SIDS. To ensure the success of the RfP, it should be sequenced after any structural or incentive issues with the RfPs are addressed and access issues are improved for SIDS.

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ANNEXES

Annex 1. LIST OF INTERVIEWEES

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Mariel Juarez	IDB	Caribbean
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Mitch Carpen	Head of Risk Management and Compliance	ORMC
Jennifer Rubis	Indigenous Peoples and Social Safeguards Specialist	ORMC EES & Gender
Jose Frazier Gomez	Environment and Social Specialist	ORMC ESS & Gender
Seblewongel Negussie	Environmental and Social Safeguards, Gender, Indigenous Peoples Manager a.i.	ORMC ESS & Gender
Akaya Fujiwara	Climate Investment Specialist	PSF
Andrey Chicherin	Innovation, Technology and Co-Funding Manager	PSF
Ayaka Fujiwara	Climate Investment Specialist	PSF
Mohamed Yousif Bakr	Private Equity & Venture Capital Senior Consultant	PSF
Sergio Pombo	Head of Private Equity Funds	PSF
Thomas Fuhr	Projects Consultant	PSF
Tom Bishop	Associate Professional	PSF
Tony Clamp	Director of PSF a.i.	PSF
Yves Patrick Karangwa	Associate Professional	PSF

GCF Board

NAME	POSITION	REPRESENTATION
Paul Oquist	Executive Secretary of the Commission of the Nicaraguan Grand Interoceanic Canal and Minister-Private Secretary for National Policies of President Daniel Ortega Saavedra, in the Presidency of the Republic of Nicaragua	Caribbean and Latin America
Ronald Jumeau	Ministry of Foreign Affairs, Seychelles	Ambassador, United Nations
Janine Felson	AOSIS/Permanent Mission of Belize to the United Nations (Belize)	Ambassador and Deputy Permanent Representative of Belize to the United Nations

Other country interviews

NAME	AFFILIATION	COUNTRY
Kamal Gounder	Ministry of Economy (NDA)	Fiji
Makereta Konrote	Ministry of Economy (NDA)	Fiji
Katherine Blackman	Ministry of Economic Growth and Job Creation (NDA)	Jamaica
Unamay Gordon	Ministry of Economic Growth and Job Creation (NDA)	Jamaica
Vineil Narayan	Ministry of Economy (NDA)	Jamaica

Additional AE interviews

NAME	POSITION	AFFILIATION
Ezra Christopher	M&E Officer	Antigua & Barbuda, Department of Environment, Ministry of Health and Environment
Michai Robertson	Policy Consultant	Antigua & Barbuda, Department of Environment, Ministry of Health and Environment
Christian Ellerman	GCF focal point	Asian Development Bank (ADB)
Noelle O'Brien	Principal Climate Change Specialist for the Pacific Department	ADB
Olly Noronjono	Director, Energy Division, Pacific Department, Manila	ADB
Woo Yul Lee	Project Officer	ADB
Ruben Avila		Central American Bank for Economic Integration (CABEI)
Ana Tiraa		Cook Islands Ministry of Finance and Economic Management (MFEM)
Mani Mate		MFEM
Tessa Vaetoru		MFEM
Lisa Andon	Deputy Executive Director	Micronesia Conservation Trust
William Kostka	Executive Director	Micronesia Conservation Trust
Andrew Hudson	Head, Water & Ocean Governance Programme	United Nations Development Programme
Oliver Weissbein	Principal Technical Advisor, Energy	United Nations Development Programme
Riad Meddeb	Senior Principal Advisor for Small Island Developing States	United Nations Development Programme
Srilta Kammila	Head of Adaptation	United Nations Development Programme
Fenella Frost	Country Staff	United Nations Development Programme, Comoros
Ingrid De Loof	Country Staff	United Nations Development Programme, Comoros
Mohamed Abderemane	Country Staff	United Nations Development Programme, Comoros
Titus Osundina	Country Staff	United Nations Development Programme, Comoros
Youssouf Mbechezi	Country Staff	United Nations Development Programme, Comoros

Note: Due to legal and ethical considerations, we are not permitted to identify or list any agencies which have applied for but not yet received accreditation. These agencies are therefore not listed.

External experts

NAME	POSITION	AFFILIATION
Melanie Pill	PhD Candidate	Australian National University
Christopher Bartlett	Former Senior Technical Advisor and Climate Negotiator	Government of Vanuatu
Ilan Kelman	Professor of Disasters and Health	University College London
Adelle Thomas	Director of the Climate Change Adaptation and Resilience Research Centre	University of the Bahamas/Climate Analytics

Advisory panel

NAME	POSITION, AFFILIATION
Alexandre Magnan	Senior Research Fellow, Vulnerability and Adaptation to climate change at Institute for Sustainable Development and International Relations (IDDRI)
Fekitamoeloa Katoa 'Utoikamanu	Permanent Representative of SIDS to the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS)
Geeta Batra	Deputy Director and Chief Evaluation Officer at Global Environment Facility (GEF)
Miwa Kato	Programme Officer, Secretariat to the United Nations Framework Convention on Climate Change (UNFCCC)

Annex 2. SURVEY RESULTS

The evaluation team administered one survey via an online platform (LimeSurvey) to key GCF SIDS stakeholder community members (NDAs/focal points, AEs, civil society organizations (CSOs), private sector organizations (PSOs) and Readiness and Preparatory Support Programme (RPSP) delivery partners). The survey was sent to all 78 key informants who had been interviewed by the evaluation team as of 29 June 2020, and in a second round, the survey was sent to an additional 86 SIDS stakeholders who were not interviewed. The team received **69 complete and 24 incomplete responses**, resulting in a 42 per cent completion rate. Results for each question or statement exclude those who did not respond.

The respondents' affiliations were queried through questions one and two.

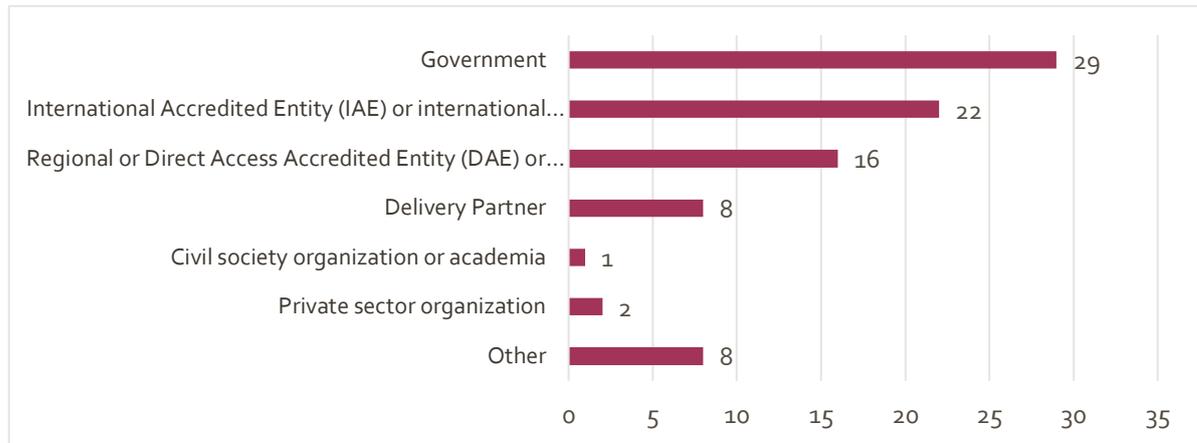


Figure A - 1. Question 1: Which of the following best describes your association with the Green Climate Fund?

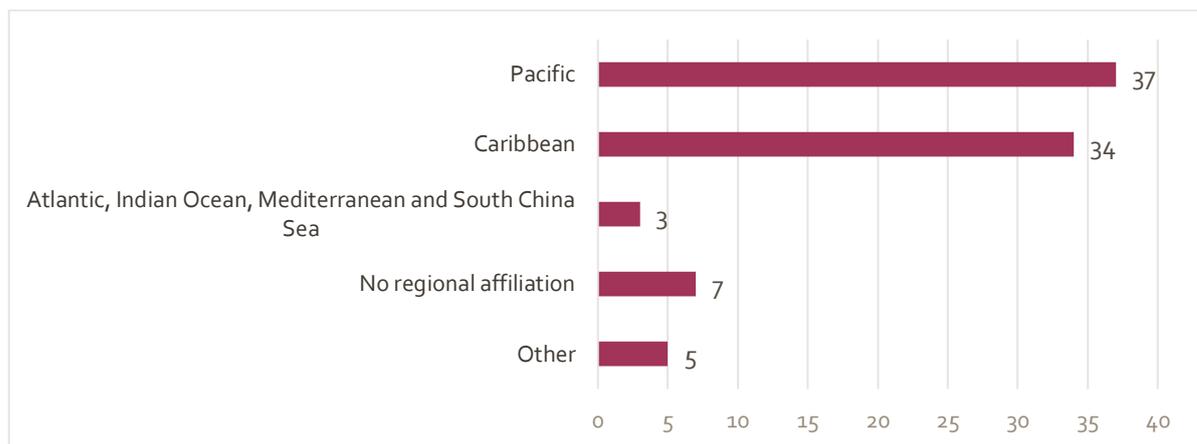


Figure A - 2. Question 2: Which of the following best describes your regional affiliation?

To solicit systematic feedback on the performance of the GCF in SIDS, respondents were requested to indicate their level of agreement with the following 11 statements. The results received from the survey respondents are visualized below.

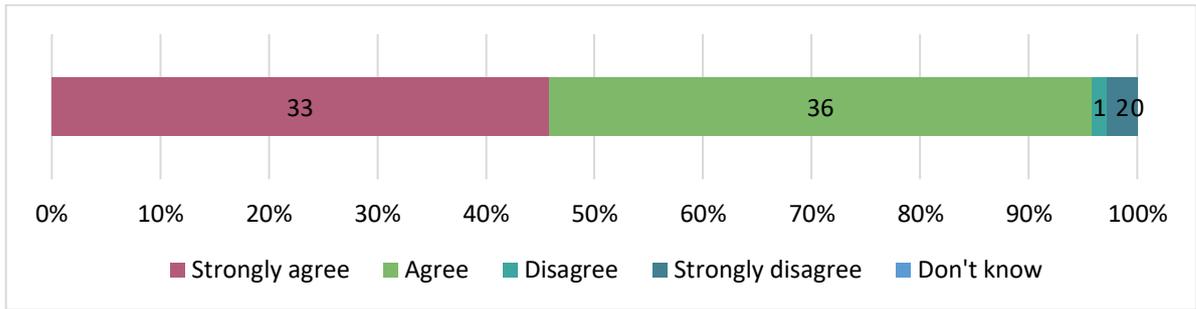


Figure A - 3. *Statement 1: GCF-funded investments are relevant to SIDS' climate change needs*

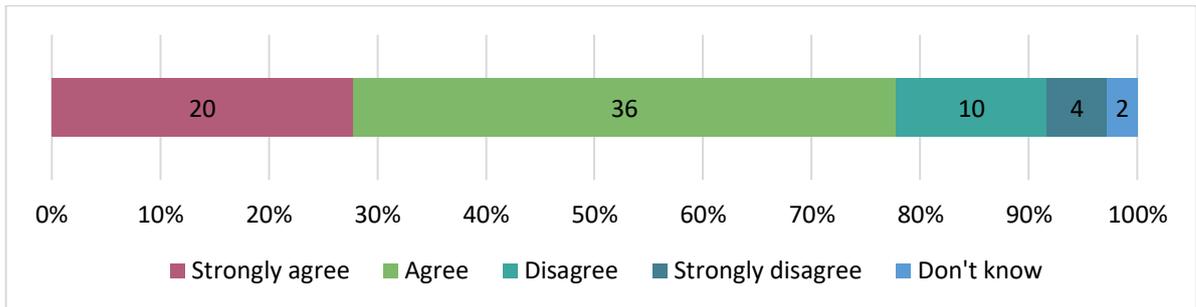


Figure A - 4. *Statement 2: GCF accredited entities are suited to meet the needs of SIDS*

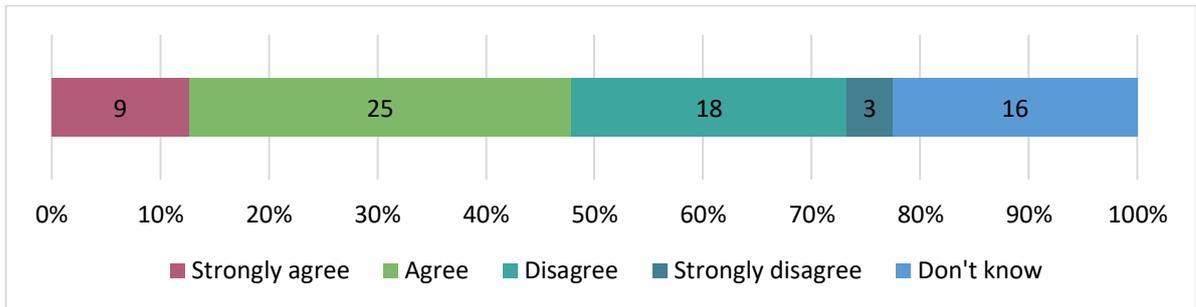


Figure A - 5. *Statement 3: The GCF provides sufficient support for direct access entities in the SIDS to achieve accreditation*

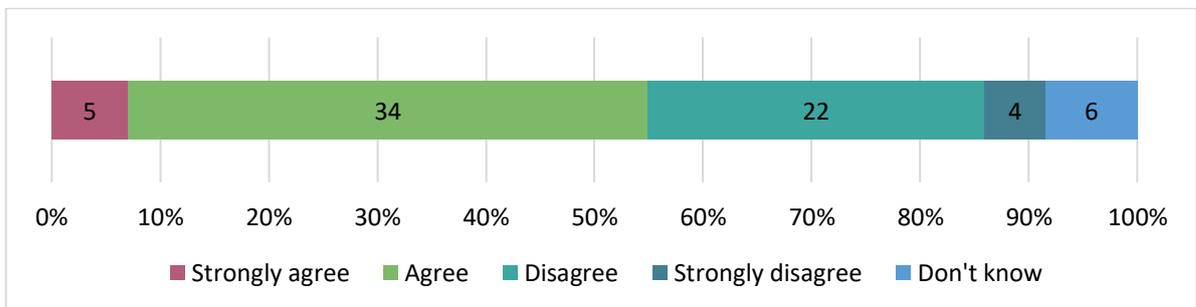


Figure A - 6. *Statement 4: The GCF Secretariat understands the specific context of the SIDS*

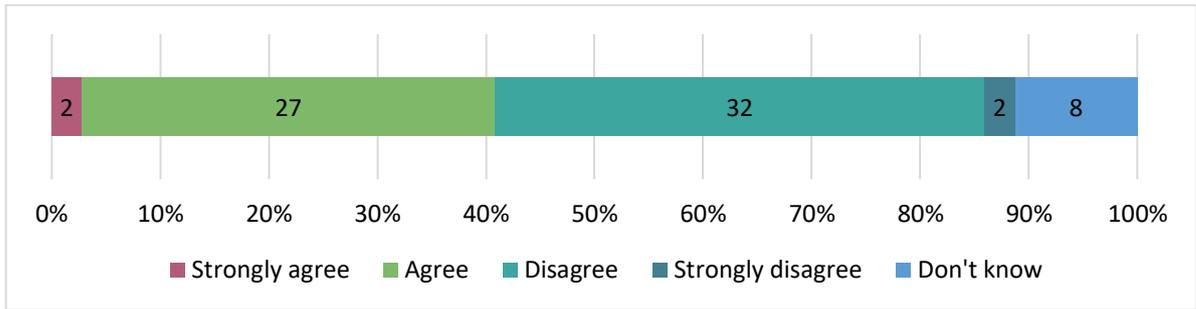


Figure A - 7. *Statement 5: The GCF Secretariat's offers of support to SIDS are sufficiently tailored to country capacities*

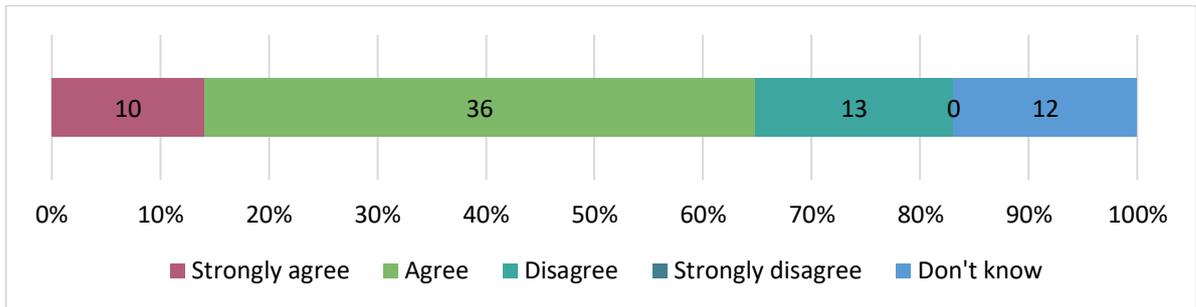


Figure A - 8. *Statement 6: The GCF RPSP is effective in preparing SIDS to access GCF funding*

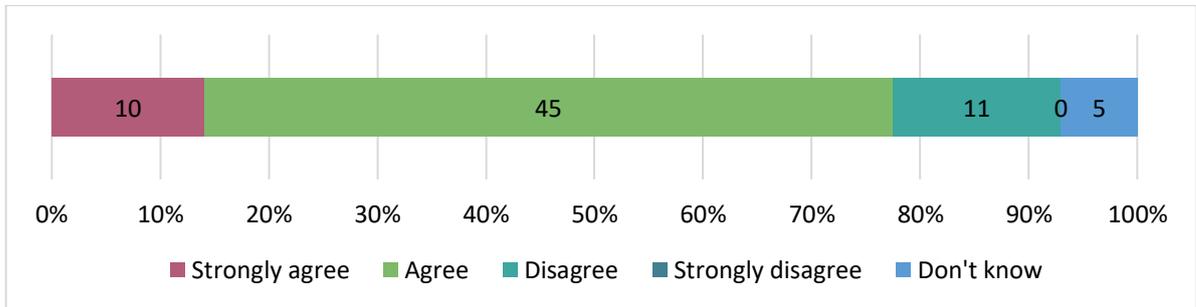


Figure A - 9. *Statement 7: The GCF project sizes (micro, small, medium, large) are appropriate in the SIDS context*

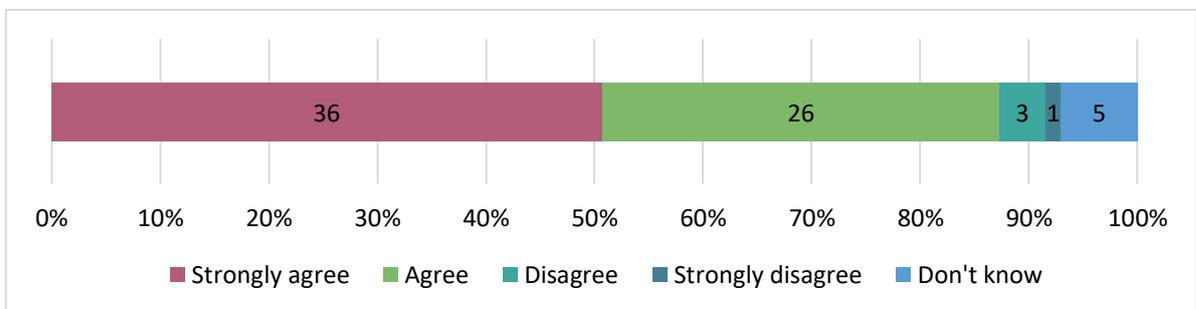


Figure A - 10. *Statement 8: The GCF concept of paradigm shift should look different in SIDS than in other countries*

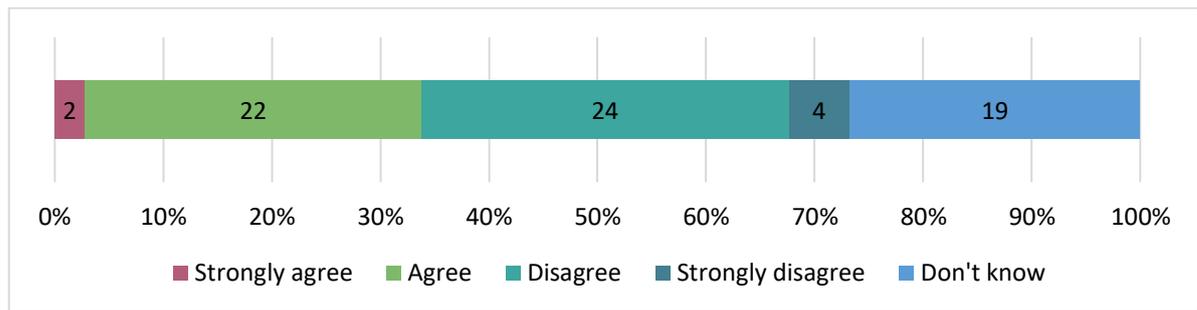


Figure A - 11. Statement 9: The GCF approach to the private sector is appropriate to support local private sector entities in the SIDS

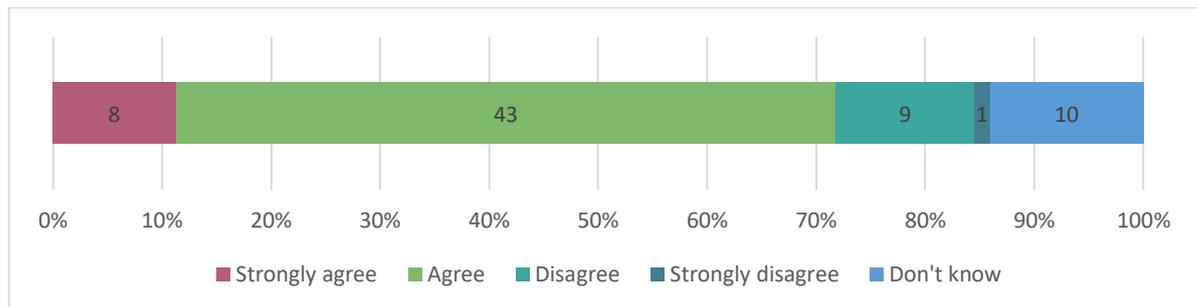


Figure A - 12. Statement 10: GCF investments in SIDS build on other sources of climate finance

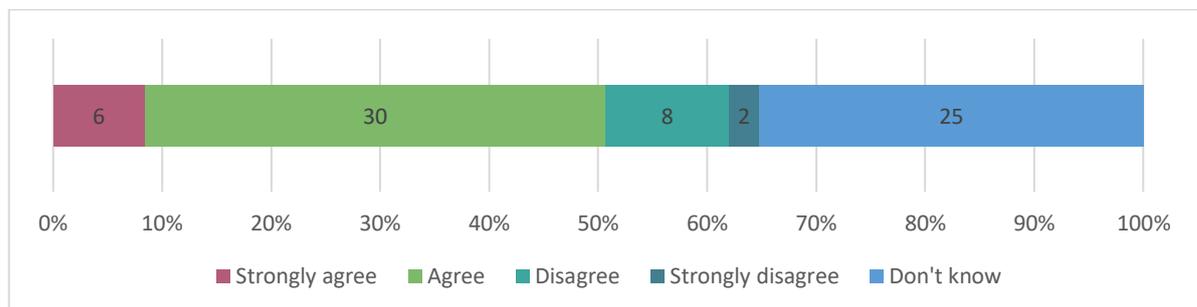


Figure A - 13. Statement 11: The GCF is applying learning from its experiences in SIDS to its programming

Respondents were then requested to rank the following challenges that SIDS may face in accessing the GCF from (1) the most significant challenge to (9) the least significant challenge. A summary of the highest and lowest ranked challenges is provided in Figure A - 14. The challenges specified were as follows:

- Lack of capacity to develop project proposals that meet the GCF standard (A1)
- Difficulties in achieving accreditation for national direct access entities (DAEs) (A2)
- Frequent changes in GCF processes (A3)
- Lack of interest from IAEs to pursue GCF-funded projects that meet SIDS' needs (A4)
- Lack of awareness among country stakeholders about how GCF works (A5)
- Difficulties in separating climate change from non-climate change activities for GCF funding (A6)
- Challenges in demonstrating the climate rationale for GCF projects (A7)

- Lack of flexibility in GCF requirements (A8)
- Others (please specify in the text below the question) (A9)

Figure A - 13 shows the count of challenges that were ranked by respondents to be the single most significant challenge (1), and subsequently the counts of challenges ranked to be 1–3 inclusive, 4–6 inclusive and 7–9 inclusive. Due to their similarity, the difficulties in separating climate change from non-climate change activities for GCF funding (A6) and the challenges in demonstrating the climate rationale for GCF projects (A7) are considered as one challenge in this figure.

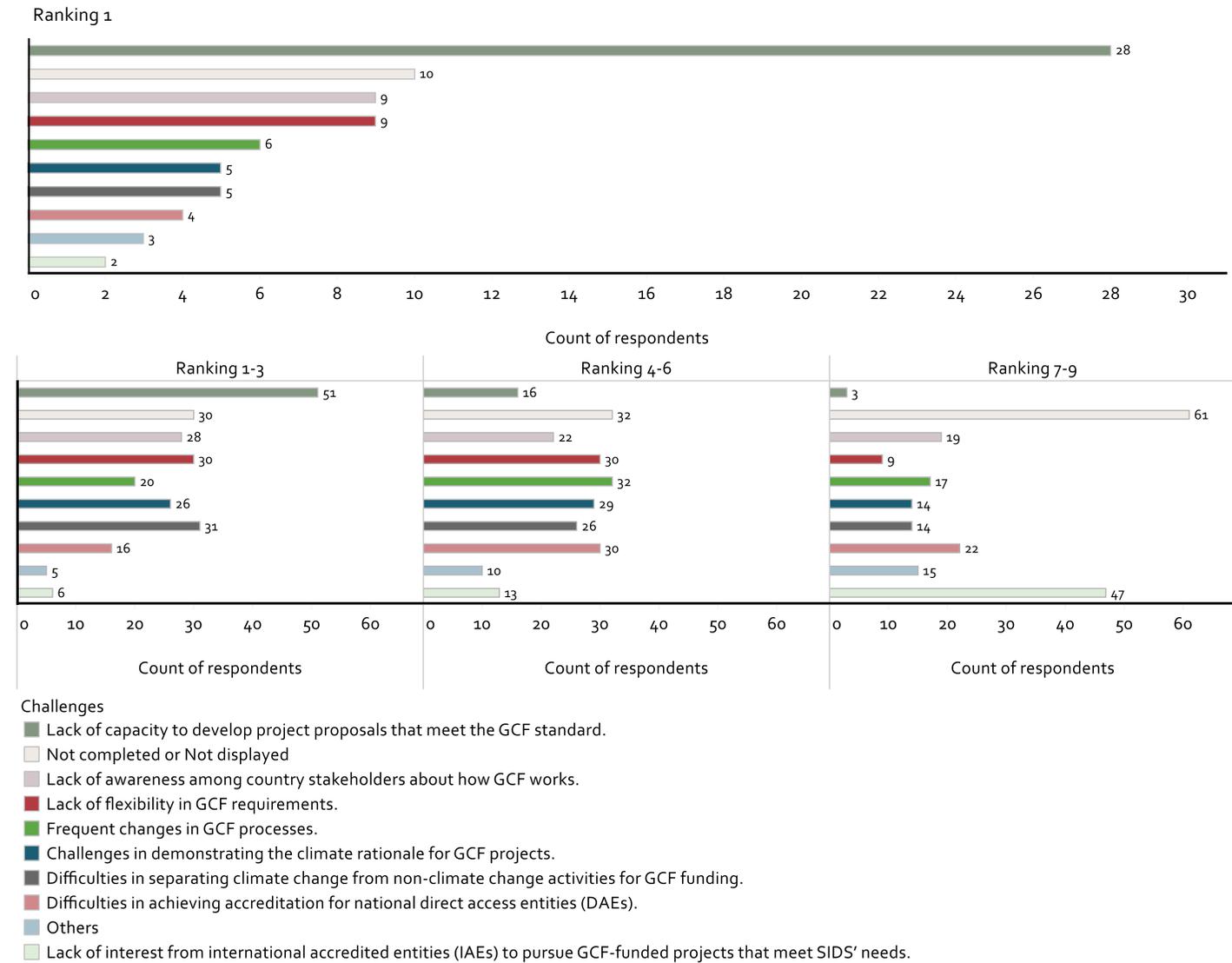


Figure A - 14. Respondent rankings of the challenges faced by SIDS in accessing GCF

Annex 3. BENCHMARKING AND META-ANALYSIS

This analysis answers the question: what can the GCF learn from the approaches of other international, regional and bilateral agencies working in small island developing States (SIDS)? The evaluation team first conducted a review of the approaches of other climate finance and international organizations working prominently in SIDS, to compare and benchmark the GCF approach. The organizations reviewed were the Adaptation Fund, Climate Investment Funds (CIF), Global Environment Facility (GEF), Asian Development Bank (ADB), African Development Bank (AfDB), European Investment Bank (EIB), Inter-American Development Bank (IDB) and World Bank Group. For the international organizations, a meta-analysis of independent evaluations was also conducted to identify lessons learned and the successful strategies these organizations have employed in their approaches for SIDS.

The evaluation team also identified relevant regional and bilateral agencies that are dedicated to SIDS, operate specific SIDS windows or programmes, or provide high volumes of finance to SIDS. The regional agencies are the Pacific Community and Secretariat of the Pacific Regional Environment Programme (SPREP) in the Pacific; Caribbean Community and Common Market; Organisation of Eastern Caribbean States (OECS); Caribbean Community Climate Change Centre (CCCCC), and Caribbean Development Bank (CDB) in the Caribbean; and the Indian Ocean Commission in the Atlantic, Indian Ocean and South China Sea. The bilateral agencies are the development aid agencies associated with the governments of Australia, France, Japan, New Zealand and the United States. Because these agencies operate in a substantially different way to the GCF, they were not benchmarked per se; instead, for these regional and bilateral agencies, the focus was on best practices and lessons learned for operating in SIDS.

A. OVERVIEW

Overall, SIDS frequently feature in the strategies of most international organizations, including the GCF, but most organizations, with the exception of the multilateral development banks (MDBs), have specific strategies to engage with SIDS. The MDBs also tend to have specific strategies for engaging with the private sector – especially with small and medium-sized enterprises (SMEs) – in SIDS. Like the GCF, few international organizations have specific instruments, policies or processes for engaging with SIDS. Among the climate funds, modalities and approaches for capacity support also tend not to be differentiated among country groups, such as SIDS.

Table A - 1 **Error! Reference source not found.** below summarizes key elements of international organizations' approaches to SIDS. It must be interpreted cautiously, however, since the specific circumstances and needs of SIDS are considered to varying degrees among these elements and organizations. More details are provided in the sections that follow on each element and organization.

Table A - 1. Key elements of organizations' approaches to SIDS

ARE SIDS GIVEN SPECIFIC CONSIDERATION IN:	GCF	GEF	ADAPTATION FUND	CIF	AfDB	ADB	WORLD BANK GROUP	EIB	IDB	UNDP
Programming strategies?	●	--	--	●	●	●	●	●	●	●
Resource allocation and financial instruments and terms?	--	●	--	--	--	●	●	●	--	--
Investment modalities?	--	--	--	--	--	●	●	--	--	--
Project cycle processes?	--	--	--	--	--	●	●	--	--	--
Implementing entities / accreditation processes?	--	--	●	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Private sector approach?	●	--	--	--	--	●	●	●	--	--
Addressing capacity and country support challenges?	--	--	--	--	--	●	●	--	--	●

Source: Evaluation team review of: Adaptation Fund, n.d.; Adaptation Fund, 2015; Adaptation Fund, 2014; AfDB, 2016; AfDB, 2019; AfDB, 2020; ADB, 2019a; ADB, 2019b; ADB, 2019c; ADB, 2018a; ADB, 2018b; ADB, 2018c; ADB, 2017a; ADB, 2017b; CIF, 2008; EIB, 2015; GEF, 2018a; GEF, 2018b; IDB, 2020; UN, 2017; World Bank, 2016a; World Bank, 2017a; World Bank, 2019.

Note: ● SIDS are given some specific consideration in this area; -- SIDS are not given specific consideration in this area.
GEF: Global Environmental Facility | AF: Adaptation Fund | CIF: Climate Investment Funds | AfDB: African Development Bank | ADB: Asian Development Bank | WBG: World Bank Group | EIB: European Investment Bank | IDB: Inter-American Development Bank | UNDP: United Nations Development Programme.

B. PROGRAMMING STRATEGIES

BENCHMARKING

Like the GCF, the multilateral climate funds generally have not had specific strategies for engaging with SIDS. The international implementing agencies have differentiated strategies for working with SIDS, which often focus on an approach that is sensitive to the fragility of many SIDS. Some agencies have moved towards more regional approaches to their programming strategies (United Nations Development Programme (UNDP)), while others (World Bank Group) are taking more country-tailored approaches. Regional strategies generally focus on the OECS in the Caribbean and the smaller Pacific SIDS, with country-specific strategies for larger SIDS and the AIS SIDS. Climate change features prominently in these agencies' country and regional strategies.

- In the **GEF**, the programming directions for the most recent GEF replenishment period (GEF-7, from 2018 to 2022) do not include any specific mention of SIDS as part of the climate change focal area, although the GEF has been requested by the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) to provide enhanced support and to continue to assist least developed countries (LDCs) and SIDS in efficiently accessing resources. The chemicals and waste focal area for GEF-7 does include a specific window for LDCs and SIDS. In addition, in the Small Grants Programme (SGP) of the GEF, special attention will be placed “in strengthening SGP’s operations in LDCs and Small Island Developing States”.¹¹³
- SIDS have been supported through two of the four **CIF** programmes: the Pilot Programme for Climate Resilience (PPCR) and the Scaling Up Renewable Energy in Low Income Countries Program (SREP). The PPCR design document specified that “priority will be given to highly vulnerable LDCs eligible for MDB concessional funds”, including SIDS, in selecting pilot countries.¹¹⁴
- The **Adaptation Fund**’s Medium-Term Strategy for 2018–2022 does not make specific mention of emphasis, approaches or modalities for SIDS.¹¹⁵
- In SIDS, the **World Bank Group** is guided by specific strategies for engagement in SIDS, including its road map for engagement in small states¹¹⁶ and its flagship *Pacific Possible* report that identifies risks and opportunities for development in the Pacific SIDS, including in response to climate change. *Pacific Possible* recognizes the constraints of the small Pacific SIDS’ geography and “suggests that reform efforts should be narrowly targeted at unlocking existing growth opportunities as compared to an approach that recommends broad-based reforms in the hope that they would trigger economic growth”.¹¹⁷

The World Bank’s Climate Action Plan also highlights specific efforts for SIDS to “leave no one behind”, including scaling up the Small Island States Resilience Initiative so that it “will build capacity, better use the existing fragmented funds, and mobilize increased financing for small island states”. “Small islands and most vulnerable countries” are also one of the country typologies in the Action Plan. The World Bank’s associated priority for action in these countries is to “create specific solutions for low-capacity and extremely vulnerable countries;” this contrasts with other country typologies for whom a common menu of activities may be utilized.¹¹⁸

In addition to these corporate strategies, the World Bank has regional and individual country partnership frameworks for Pacific and Caribbean SIDS,¹¹⁹ which feature climate change and resilience. Over the past decade, country strategies began to be prepared for individual countries to reflect growing World Bank Group engagement across the Pacific islands; these are shaped by a common regional approach but tailored to the different histories and challenges of each Pacific SIDS. Individual country partnership frameworks for AIS SIDS also focus on resilience to climate change impacts.

¹¹³ GEF, 2018a, 140.

¹¹⁴ CIF, 2008.

¹¹⁵ Adaptation Fund, nd.

¹¹⁶ World Bank, 2016a.

¹¹⁷ World Bank, 2017a.

¹¹⁸ World Bank, 2016b.

¹¹⁹ The regional framework for the Caribbean covers the OECS countries. For the Pacific, it covers Kiribati; Republic of the Marshall Islands; Federated States of Micronesia; Republic of Nauru; Republic of Palau; Independent State of Samoa; Kingdom of Tonga; Tuvalu; and Vanuatu.

- The overall corporate strategy of **ADB** recognizes the need for a differentiated approach to SIDS, and seeks particularly to promote innovation and longer commitment periods, especially for institutional development, improved governance and higher levels of transparency.¹²⁰ The ADB Climate Change Operational Framework also explicitly recognizes the heterogeneity of its developing member countries, including SIDS, without being specific about how the response of ADB will be shaped by these differences.¹²¹ The ADB has a regional strategy for the 11 smaller Pacific SIDS,¹²² which features climate change prominently both from the perspective of managing impacts and increased renewable energy generation. On climate change, ADB also plans to help Pacific SIDS “access climate financing mechanisms, structure complex financing arrangements, and pursue a more programmatic and regional approach to financing climate change and disaster risk management in the Pacific region”.¹²³ The ADB also has individual country partnership strategies for the larger SIDS, such as Fiji.
- The corporate **EIB** Climate Strategy does not specifically mention SIDS in its narrative.¹²⁴ However, the Cotonou Agreement of EIB, which governs its partnership with African, Caribbean and Pacific (ACP) countries, includes climate change as a focus area and provides that cooperation shall “recognize the vulnerability of ACP states and in particular of small islands and low-lying ACP states to climate-related phenomena”.¹²⁵
- The **AfDB** Climate Action Plan does not specifically mention SIDS. However, like other MDBs, the AfDB prepares multi-year country strategy papers, including with member SIDS.
- The overall corporate strategy of IDB does not substantially differentiate between SIDS and the rest of the IDB member countries. Multi-year strategies are prepared for each country, including SIDS, although the OECS countries are not IDB members and thus do not have specific programming strategies. These OECS countries may access the IDB through an intermediary – specifically, the CDB.
- The **UNDP** has multi-country development frameworks for both the Pacific¹²⁶ and the Caribbean,¹²⁷ which feature resiliency to climate change as a key priority. In the Caribbean, the multi-country framework is the successor to six country and regional frameworks that previously covered Barbados and the OECS countries, as well as Belize, Guyana, Jamaica, Suriname, and Trinidad and Tobago separately.

KEY LESSONS LEARNED

Limited lessons have been documented regarding the programming approaches of these organizations vis-à-vis SIDS. **These lessons point to the potential need in SIDS for differentiated**

¹²⁰ ADB, 2018a.

¹²¹ ADB, 2017a.

¹²² Cook Islands; Kiribati; Republic of the Marshall Islands; the Federated States of Micronesia; Nauru; Palau; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.

¹²³ ADB, 2017b.

¹²⁴ EIB, 2015.

¹²⁵ European Community, 2017.

¹²⁶ The Subregional Programme Document for the Pacific Island Countries and Territories (2018–2022) covers the Cook Islands; Federated States of Micronesia; Fiji; Kiribati; Republic of the Marshall Islands; Nauru; Niue; Palau; Samoa; Solomon Islands; Tokelau; Tonga; Tuvalu; and Vanuatu.

¹²⁷ The United Nations Multi-country Sustainable Development Framework in the Caribbean (2017–2021) covers Anguilla; Antigua and Barbuda; Aruba; Barbados; Belize; British Virgin Islands; Curaçao; Dominica; Grenada; Guyana; Jamaica; Montserrat; Saint Lucia; Saint Kitts and Nevis; Saint Vincent and the Grenadines; Sint Maarten; Suriname; and Trinidad and Tobago.

strategies for microstates, more selective programming in SIDS that have lower institutional capacity and ensuring that the scale of programming matches the need.

- The Independent Evaluation Group (IEG) of the World Bank found that in the Caribbean OECS, applying a more selective lens during programming would “have allowed greater consistency and continuity of bank support for priority areas, likely bringing better results”.¹²⁸ A more limited number of objectives could allow for deeper, more hands-on engagement, particularly important for SIDS with limited institutional capacity. In the Pacific SIDS, IEG found that some country programme strategies have a disconnect between acknowledgement of the climate change threat and the scale and type of interventions supported; for example, noting the existential threat to Tuvalu from climate change but providing support only for water tanks and rainwater harvesting.¹²⁹
- The IDB evaluation of climate change in 2014 noted that IDB at that time had no regional strategy or action plan to guide adaptation or mitigation members in Caribbean SIDS as a group; rather, its strategy was at the national level, and attention to climate change was uneven among the countries.¹³⁰
- In UNDP, an evaluation found that the agency’s standard programming approach has worked well for most of the Pacific SIDS, but its relevance is limited in the context of the microstates, which “require attention at downstream and local-level interventions”.¹³¹

C. RESOURCE ALLOCATION AND FINANCING INSTRUMENTS AND TERMS

BENCHMARKING

The GCF has not adopted an official country resource allocation approach, although informal guidance is being given to countries about the number of projects that may be funded per country for the first replenishment period. The GCF also has not adopted any financing instruments or terms specifically for use in SIDS.

Unlike the GCF, most of the international organizations have moved in the direction of increased resource allocations for SIDS, especially for Pacific SIDS, relative to other countries. The GEF has made efforts to protect SIDS during replenishment shortfalls. In the World Bank Group and ADB, some SIDS have special exceptions that offer more favourable financing terms, with more access to grants and concessional finance. Common instruments include grants, concessional lending and policy-based lending (a form of budget support).

- In the **GEF**, an emphasis on SIDS was part of the rationale for reforming the GEF System for Transparent Allocation of Resources (STAR) formula, making more financing available to SIDS. The GEF has also taken actions to protect SIDS and LDCs during projected funding shortfalls in replenishment, as in GEF-6 when the level of decrease apportioned for country allocations was met entirely by the non-LDC and non-SIDS countries.¹³² The GEF primarily uses grant instruments, but SIDS have also participated in the GEF non-grant instrument pilot (see also the section on the private sector, below).

¹²⁸ World Bank IEG, 2016b.

¹²⁹ World Bank IEG, 2016ba.

¹³⁰ IDB OVE, 2014.

¹³¹ UNDP EO, 2012.

¹³² GEF IEO, 2018a.

- In the **CI**F, resources are allocated for country and regional investment plans. Under the PPCR, six Caribbean SIDS and three Pacific SIDS are supported through two regional programmes comprising individual country plans and a regional track. Under SREP, individual country plans and one regional programme support Pacific and AIS SIDS. The PPCR has used concessional loans as its primary instrument, although some countries have also received grant investments.
- The **Adaptation Fund** has effectively capped country allocations at USD 10 million, which is typically utilized in a single project. No distinctions are made between SIDS and other countries. All Adaptation Fund allocations are grant-based.
- The **World Bank Group**'s support to SIDS, particularly Pacific SIDS, has increased in the latest replenishment period (IDA18), with a significantly higher base allocation that will almost quadruple available resources in some of the most fragile countries, including Kiribati, Tuvalu, the Republic of the Marshall Islands (RMI) and Federated States of Micronesia (FSM). The World Bank also relies on the mobilization of significant trust fund resources from bilateral development partners in both the Pacific and the Caribbean. In addition, the World Bank's small island economies (SIEs) exception allows some SIDS to access more concessional International Development Association (IDA) resources than they would otherwise be eligible for, given their income level. The table below shows the eligibility of SIDS to access different levels of concessional finance from the World Bank. The terms of the resources that countries receive from IDA are based on the risk of debt distress in a given year.¹³³
- In the Pacific, the World Bank Group's strategy is to use investment and policy-based lending, International Finance Corporation (IFC) resources, and programme-for-results financing, which can link financing directly to the achievement of institutional capacity and be implemented by a United Nations agency or NGO on behalf of the government, when needed.

¹³³ An IDA-only SIE in debt distress or at a high risk of debt distress is eligible to receive 100 per cent of its concessional financing in the form of grants. An IDA-only SIE at moderate risk of debt distress is eligible to receive 50 per cent of its concessional financing in the form of grants and the remaining 50 percent as credits. The IDA-only SIEs at low risk of debt distress and SIEs that are eligible for both International Bank for Reconstruction and Development (IBRD) and IDA resources (Blend Countries) are not eligible for IDA grants. For example, in FY17, the Federated States of Micronesia, Kiribati, the Republic of the Marshall Islands and Tuvalu were eligible for IDA grants, whereas Samoa, Tonga and Vanuatu received 50 per cent of IDA on grant terms and 50 per cent on credit terms. Palau and Nauru are IBRD countries, but given current IBRD creditworthiness assessments, they would only have access to resources from IBRD with significant credit enhancements.

Table A - 2. World Bank financing terms for SIDS

REGION	IDA-ONLY, GRANT-ELIGIBLE, HIGHLY CONCESSIONAL SIE TERMS	BLEND***, NON-GRANT-ELIGIBLE, HIGHLY CONCESSIONAL SIE TERMS	GAP***, NON-GRANT-ELIGIBLE, HIGHLY CONCESSIONAL SIE TERMS	IBRD-ONLY
Caribbean		Dominica, Grenada, Saint Lucia, Saint Vincent and the Grenadines	Guyana	Antigua and Barbuda, Saint Kitts and Nevis, Trinidad and Tobago, Belize, Suriname, Jamaica
Pacific	Kiribati, RMI, FSM, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	Timor-Leste		Fiji, Nauru** Palau**
AIS	Comoros, Maldives, Sao Tome and Principe, Guinea-Bissau*	Cabo Verde		Mauritius, Seychelles

Source: World Bank, 2019.

Note: * Regular IDA lending terms; all other countries are eligible for IDA small economy lending terms. IDA Credits on Small Economy Terms in FY18 (fiscal year) had a grant element of 61 per cent compared to a grant element of 53 per cent for IDA Credits on IDA Regular Terms.

** Considered not creditworthy to borrow from International Bank for Reconstruction and Development (IBRD), unless there is an adequate security arrangement.

*** In the World Bank, a “Gap Country” means a member country that is (a) determined by IDA to be eligible for IDA Credits; (b) determined by IDA to have a Gross National Income (GNI) per capita that has exceeded the operational cut-off for IDA eligibility for more than two consecutive years; and (c) not currently determined by IBRD to be creditworthy to borrow from IBRD. A “Gap Country” means a member country that is (a) determined by IDA to be eligible for IDA Credits; (b) determined by IDA to have a GNI per capita that has exceeded the operational cut-off for IDA eligibility for more than two consecutive years; and (c) not currently determined by IBRD to be creditworthy to borrow from IBRD.

- The sovereign allocation of **ADB** to Pacific SIDS in the coming years will double in countries eligible for concessional assistance only and increase in other SIDS. In its latest replenishment (ADF 13), ADB is proposing an economic vulnerability premium for grant-eligible SIDS based on the degree of vulnerability of a country, in contrast to the previous base allocation, which allocated a uniform amount to all eligible countries. This premium is designed to help mitigate structural vulnerability and recognize the higher costs of living and service delivery in SIDS.¹³⁴ The ADB plans to use grants, concessional lending and policy-based operations in SIDS, among other instruments.

¹³⁴ ADB, 2019.

Table A - 3. ADB financing terms for SIDS

ADB-ONLY (100% GRANTS)	ADB BLEND (50% GRANTS)	ELIGIBLE FOR CONCESSIONAL ORDINARY LENDING AND REGULAR ORDINARY CAPITAL RESOURCES	ELIGIBLE FOR CONCESSIONAL ORDINARY LENDING RESOURCES ONLY
FSM, Kiribati, RMI, Nauru, Samoa, Tonga, Tuvalu	Maldives, Solomon Islands, Vanuatu	Palau, Papua New Guinea, Timor-Leste	Cook Islands, Fiji

Source: ADB, 2019.

- Less information is publicly available on **IDB** resource allocation and financing terms for SIDS. Among SIDS, Guyana qualifies for concessional financing provided through blended loans; Haiti benefits exclusively from grants.¹³⁵

KEY LESSONS LEARNED

Evaluations have generally found that MDBs have used appropriate instruments in SIDS, noting the effectiveness of policy-based instruments while also cautioning about the “moral hazard” of tying financial terms to debt distress in SIDS. In the ADB, the call has been for increasing grant resources to the smallest Pacific SIDS while also providing complementary support to ensure absorptive capacity.

- An ADB IED evaluation found that ADB relevance in the smallest Pacific SIDS is “highly dependent on the ability to increase grant project financing and TA, especially given countries’ high risk of debt distress”.¹³⁶ However, given their size, SIDS have a limited capacity to absorb increasing amounts of development assistance, “unless there is a corresponding increase in TA and support for implementation”.¹³⁷ Most recently, an ADB review of the financing needs of Pacific SIDS found that the absorptive capacity of SIDS was improving – as evidenced by positive trends in portfolio performance – and credited this to “greater efforts to ensure that projects are ‘spade-ready’ when financing is approved, proactive measures to address capacity limitations in the SIDS, greater coordination with partners, and new and flexible approaches”.¹³⁸ (See also sections below on project cycle process and strengthening capacity.)
The ADB evaluation of support in the Pacific also called into question the approach used by many MDBs to link financial terms to debt distress, suggesting that “linking grants to levels of debt distress caused moral hazard, since countries had little incentive to guard against the risk of debt because by doing so they would lose grants for concessional loans”.¹³⁹
- A World Bank IEG evaluation found that the bank’s scale of “potential support is limited by country IDA funding and the ability to borrow given existing high indebtedness as well as by the absorptive capacity of governments”. The evaluation also found that the Bank had used an appropriate mix of lending instruments in the Caribbean OECS countries, including development policy lending and the adaptable programmatic loan instrument for projects covering multiple countries, which helped limit transaction costs for the bank and addressed differing levels of readiness among the country clients. (The adaptable programmatic loan

¹³⁵ IDB, 2020.

¹³⁶ ADB IED, 2015.

¹³⁷ ADB IED, 2019.

¹³⁸ ADB, 2019a.

¹³⁹ ADB IED, 2019.

instrument has been largely replaced with multiphase programmatic lending at the bank; see also the next section below.)

Particularly in the Pacific, the development policy operation instrument significantly contributed to more effective donor coordination, which is especially important in the small country context, as the experience in Tonga showed.

- The IDB Office of Evaluation and Oversight (OVE) found that IDB has appropriately used investment loans, grants and non-emergency policy-based loans to support sustainable energy frameworks and climate change.

D. INVESTMENT MODALITIES, INCLUDING COUNTRY, REGIONAL AND PROGRAMMATIC APPROACHES

BENCHMARKING

Like the GCF, international organizations primarily use a project and programme-oriented funding model, with support for both regional and country-specific modalities in SIDS. There has been a trend towards regional frameworks with nested country-tailored approaches.

Among international organizations, there has been some divergence in terms of the prevalence of programmatic interventions in SIDS, with ADB and the World Bank moving increasingly into this space, whereas the GEF use of the programmatic approach in SIDS has declined. For the MDBs, the value of longer-term, programmatic interventions is associated with increased predictability of resources, addressing the perceived need for sustained support in fragile situations, and reduced transaction costs for low-capacity governments.

- The **GEF** funds both country and regional projects and programmes in SIDS. Use of the full-size GEF project modality (greater than USD 2 million) is most common in SIDS in financial terms and number of projects, with an average project size of approximately USD 6.5 million, followed by medium-sized projects (up to USD 2 million). About a third of SIDS projects in the GEF are regional programmes. The GEF use of its programmatic approach in SIDS – in which child projects are part of a parent programme and are designed to contribute to the overall programme objective – has diminished over time.¹⁴⁰
- The **CIF** uses its programmatic approach to identify and fund both country and regional projects in the Pacific and Caribbean SIDS. Individual country projects have also been funded in the AIS SIDS.
- The **Adaptation Fund** has funded country-specific projects in SIDS, with one exception for a multi-country project in the AIS SIDS.
- The **GEF** and the **Adaptation Fund** also both have modalities for small grants that are available to SIDS as well as other countries.
- The specific investment approach of **ADB** for SIDS is to use longer-term, programmatic interventions that provide sustained support for capacity-building, as a “fragility-sensitive approach”.¹⁴¹ Multi-tranche financing facilities, multi-partner and multi-year policy-based operations, long-term flagship regional TA and programmatic TA operations are examples of these types of modalities.

¹⁴⁰ GEF, 2018.

¹⁴¹ ADB, 2017b.

The ADB also seeks to expand the use of regional approaches, including regional TA for project preparation rather than for individual country projects. In addition, the ADB strategy seeks to co-finance larger, more transformative projects jointly with other development partners in SIDS, rather than to work on coordinated parallel projects, in recognition of the transaction costs for low-capacity government partners.

- The **World Bank**'s road map for engagement in small states recognizes the need for some adjustments to operational policies in SIDS. The World Bank is developing a programmatic approach to both lending and project preparation that could be attractive to SIDS. The multiphase approach to lending could support longer engagement in a country "by phasing a longer or large undertaking through a series of smaller operations (or phases) with intermediate shorter-term targets ... providing predictability in terms of overall financing together with the agility and adaptability that are gained by working in phases".¹⁴² The programmatic approach to project preparation will allow countries to use a single approach to identify and prioritize a pipeline, prepare multiple projects (e.g. feasibility studies) and strengthen capacity in core areas like financial management, procurement and safeguards.

The Bank's strategy also focuses on using both regional and country-specific approaches. In the Caribbean, the World Bank's most recent strategy recognizes that "there is merit in seeking greater regional integration but implementation of regional programmes has proven difficult"; it plans to "support country programmes under regional frameworks" in the OECS states.¹⁴³

- The most recent **UNDP** strategy focuses on tailoring regional offers to country-level circumstances, using both regional and country-specific projects.

KEY LESSONS LEARNED

Evaluations have found that regional approaches have generally worked well in SIDS, especially when they address common issues, reflect national priorities and particularities, and are operated under a regional framework (rather than a regional project per se). Still, some regions and organizations have noted struggles (World Bank in the Pacific, UNDP in the Caribbean). In regional SIDS projects, South–South learning was especially appreciated by country clients.

Evaluations and subsequent agency strategies have identified the need for "streamlined packaging" approaches to programming that can reduce transaction costs for agencies and SIDS for smaller financing volumes.

- In the GEF, programmatic approaches have had limited traction in SIDS, although the "ridge-to-reef" approach is gaining traction and SIDS governments see programmatic approaches as an opportunity to have access to resources beyond their STAR allocations. The GEF Independent Evaluation Office's (IEO) country portfolio evaluation for Timor-Leste identified that "a longer-term GEF engagement or programmatic approach could provide an avenue for capacity-building and reduce the administrative burden of standalone interventions".

Regional GEF projects have been rated significantly higher on outcomes and sustainability than the overall GEF portfolio average. The SIDS in the Caribbean, Pacific and Indian Ocean also favour regional projects with South–South sharing of knowledge and expertise, which yields important benefits for the smallest and poorest countries. The GEF SGP is frequently used in SIDS, often in collaborations between communities and national NGOs, although the most

¹⁴² World Bank, 2016a.

¹⁴³ World Bank, 2014.

recent evaluation of the SGP (2015) did not explicitly evaluate the particular challenges or advantages of the SGP in the SIDS context.

- The regional support provided by ADB has worked well “where it is directed at regional initiatives that address common problems or that share information across countries, and where these programmes are jointly funded with other development partners”.¹⁴⁴
- Overall, a 2016 IEG evaluation noted that the World Bank had not developed any “streamlined packaging” or “umbrella” concepts that could reduce the transaction costs of delivering smaller volumes of financing to small states.¹⁴⁵
- In terms of regional delivery, in the OECS states, the World Bank Group delivered nearly half of its volume of financing via a multi-country structure, which was found to be largely appropriate if not pushing the limits of its effectiveness. “Concerns ranged from forfeiture of national sovereignty and the cost of supra-national institutions to the asymmetry in IDA eligibility across the countries as well as inevitable country-specific needs and circumstances.” Partly because of the difficulties encountered in certain regional projects, greater use of country-specific projects under “regional frameworks” rather than regional projects per se was recommended. For infrastructure projects that will impose ongoing costs, better country ownership in national projects was important. In the Pacific, an IEG evaluation found that while there should be great scope in the Pacific SIDS for capturing economies of scale through regional or multi-country approaches, this has proven difficult to achieve.
- In the Caribbean, an evaluation of the UNDP regional programme found that “regional and multi-country initiatives do not systematically address sustainability factors in their design and implementation”.¹⁴⁶ Additionally, the Caribbean region was not always well included in South–South initiatives; Caribbean partners stated that their potential as a knowledge provider was underrecognized.

E. PROJECT CYCLE PROCESSES

BENCHMARKING

Like the GCF, the climate funds have generally not made distinct rules for SIDS with respect to their project cycles, despite recognition that it is more difficult to develop and implement projects in these contexts.¹⁴⁷ The Adaptation Fund does allow some flexibility in project oversight methods in SIDS. Some of the MDBs (World Bank Group, ADB) also allow for greater use of project preparation facilities in SIDS and have guidelines to provide flexibility during business processes in fragile and low-capacity contexts, including in SIDS.

- No specific rules or adjustments have been made to the **GEF** project cycle processes for SIDS. The medium-sized project modality offers an expedited mechanism for review and approval of smaller projects.
- No adjustments have been made to the **CIF** project cycle processes specifically for SIDS.
- Few adjustments have been made to the **Adaptation Fund**’s PAPs for SIDS. A single-step approval process is available for small-sized projects/programmes (up to USD 1 million) and for regular-sized projects/programmes that are fully developed. The Adaptation Fund’s policy

¹⁴⁴ ADB IED, 2015.

¹⁴⁵ World Bank IEG, 2016b.

¹⁴⁶ UNDP EO, 2013.

¹⁴⁷ UNDP Evaluation Office (EO), 2013.

on streamlined accreditation (see also below) recognizes the high expense and difficulty of travel in SIDS for project oversight during implementation and provides for lower-cost alternatives to travel (such as extensive use of email).¹⁴⁸

- In the **World Bank** and **ADB**, guidelines have been developed to recognize the need for flexibility during design, approval and implementation of operations in fragile situations, which include all small states for the World Bank¹⁴⁹ and eight Pacific SIDS for ADB. Both MDBs are planning for greater use of their project preparation facilities in SIDS¹⁵⁰ and have recently developed flexible guidelines for procurement to reflect fragile contexts and borrower capacity that are applicable to SIDS.^{151, 152}

KEY LESSONS LEARNED

The evaluative evidence on the effectiveness of project cycle processes specifically in SIDS is somewhat limited, except to point out **recurring challenges in procurement, use of national systems and flexibility in processes. Project preparation funds were seen as critical** across evaluations of multiple international organizations.

- An ADB Operations Evaluation Department evaluation found that flexibility is important for efficiency in Pacific operations, “but what flexibility means in practice for operational design and implementation is not fully understood and there are no guidelines for staff to follow. Apart from the need for flexibility in procurement, consultations with ADB staff suggested that flexible approaches were not being fully used, for example, in disbursement, project appraisal requirements, and project processing.”¹⁵³
- The World Bank’s efforts to simplify procurement have helped considerably in Pacific SIDS, according to IEG. The use of national systems is still a substantial challenge, however. An evaluation found that “in countries [as small as Tonga and Samoa], it is almost impossible to have procurement as a career stream, and the tiny public procurement agencies have great difficulty staffing up”.¹⁵⁴
- The GEF IEO found that many SIDS struggle to prepare projects within the prescribed 12-month time frame, have a more limited understanding of the concept of “global environmental benefits” in GEF project design, and consider the preparation of GEF projects more complicated than similar sized projects financed by other bilateral funding agencies. The grant for project preparation is very important for complex projects.

The GEF SIDS evaluation also found that assuring co-finance often results in delays, in part because the “sources of co-financing are difficult to know in advance, because ongoing projects and activities that could co-finance would often have finished before the GEF project is approved and the activities started”.¹⁵⁵

¹⁴⁸ Adaptation Fund, 2015.

¹⁴⁹ World Bank, 2016a.

¹⁵⁰ For example, the ADB Pacific Department adopted a Project Improvement Action Plan in 2016 to overcome the constraints in SIDS that prevent timely and effective preparation and implementation of investment projects. A key measure was improving project readiness with detailed designs prior to the approval of financing.

¹⁵¹ World Bank, 2019.

¹⁵² The business processes of ADB for sovereign operations, as well as procurement guidelines, allow flexibilities during the design, approval and implementation of operations in fragile and conflict-affected situations. See, for example: ADB, 2018a and ADB, 2018b.

¹⁵³ ADB IED, 2015.

¹⁵⁴ World Bank IEG, 2016a.

¹⁵⁵ GEF IEO, 2018b.

F. IMPLEMENTING ENTITIES, ACCREDITATION PROCESSES AND REGIONAL PRESENCE

BENCHMARKING

As in the GCF, the other climate funds' projects have been concentrated in a small number of international implementing agencies, including UNDP and the World Bank. Regional and national entities are also implementing through the Adaptation Fund. The Adaptation Fund offers a streamlined accreditation process that is available to SIDS.

For the MDBs, not all SIDS are members and thus not all SIDS can access these implementing entities. Some SIDS have become members more recently (like Nauru to the World Bank and Niue to ADB), and some SIDS are not members (like Niue and the Cook Islands to the World Bank and the OECS countries to IDB).

The climate funds generally do not have a regional presence, whereas the international agencies' presence depends on developing country membership, size and available resources, among other factors. Presence tends to be clustered in certain SIDS, as summarized below. In the Pacific, offices are most commonly found in Fiji, Samoa and Solomon Islands, and the World Bank and ADB have been increasing their presence over the past several years. In the Caribbean, the World Bank, EIB and IDB offices are in the larger SIDS, including Dominican Republic, Haiti and Jamaica, as well as Barbados.

- The UNDP is the agency most engaged in SIDS programming in the **GEF**, representing about half of the grant value and number of projects. The strong relationships UNDP has with countries' national ministries of environment contribute to its predominance in the GEF SIDS portfolio. The other top agencies in terms of both project value and number of projects in SIDS are the United Nations Environment Programme (UNEP), the World Bank, the Food and Agriculture Organization (FAO), and the IDB. Although the GEF underwent a partnership expansion in recent years that used an accreditation process, SIDS disproportionately experienced little or no increase in agency choice.¹⁵⁶
- In the **CIF**, of the six MDBs, the ADB, IDB and the World Bank have been active in SIDS. The CIF does not have direct access; implementation is limited to the MDBs.
- In the **Adaptation Fund**, seven SIDS have national implementing entities (NIEs) that have been accredited for direct access.¹⁵⁷ Stemming from a review of an NIE applicant facing difficulties because of small population, extremely long distances, and limited staff and budget, the **Adaptation Fund** also decided to offer a streamlined accreditation process (decision B.23/17) to enable smaller NIEs to access the resources of the Fund while taking into account the limited capacities of these entities.¹⁵⁸

Regional implementing entities also serve the Caribbean, AIS, and Pacific SIDS, including the CDB, CABEI, SPREP, and West African Development Bank (BOAD). Multilateral implementing entities are also active, including, most prominently, the UNDP.

- In the **World Bank Group**, membership affects access to finance. Among the GCF-eligible Pacific SIDS, Nauru only became a World Bank member in 2016, neither Cook Islands nor Niue are World Bank Group members, and neither Nauru nor Tuvalu are IFC members.

¹⁵⁶ GEF IEO, 2018b.

¹⁵⁷ Antigua and Barbuda, Dominican Republic, Federated States of Micronesia, Tuvalu, Cook Islands, Jamaica, and Belize.

¹⁵⁸ Adaptation Fund, 2014.

Overall, the World Bank Group has a mature relationship with Samoa, Tonga, Kiribati and Tuvalu, a younger relationship in Vanuatu, FSM and RMI, and a limited relationship with Palau and Nauru.¹⁵⁹

Box A - 1. The regional presence of other climate funds

World Bank: The World Bank has been increasing the number of offices it has in the Pacific, with a Pacific island unit in Australia, offices in Fiji and Solomon Islands, and World Bank-ADB liaison offices in Kiribati, Samoa, Tonga and Vanuatu. In the Caribbean, the World Bank has offices in the Dominican Republic, Haiti and Jamaica.

ADB: Through additional support from the Government of Australia, ADB approved the establishment of country offices in each of the 11 small Pacific SIDS in 2018. Since 2016, more than 25 new ADB staff positions have been allocated to the Pacific Department in headquarters, in field offices and in the new Pacific SIDS offices.

EIB: In the Pacific, EIB has an office in Australia; in the Caribbean, its offices are in Barbados and the Dominican Republic.

IDB: The IDB Country Department Caribbean (CCB) is divided into six country offices in the Bahamas, Barbados, Guyana, Jamaica, Suriname, and Trinidad and Tobago. The Country Department Central America (CID) covers the Dominican Republic and Belize, among others, with country offices in both.

UNDP: The Pacific Office of UNDP is in Fiji; UNDP also has offices in Samoa and Solomon Islands. In the Caribbean, UNDP has offices in Barbados and Jamaica.

- For **ADB**, all GCF Pacific SIDS are members; however, Niue only became a member country to ADB in 2019.
- Member countries of **IDB** that are also GCF-eligible SIDS are the Bahamas, Barbados, Belize, the Dominican Republic, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago. Other Caribbean SIDS can access IDB financing through an intermediary, namely the CDB, which can on-lend to non-IDB countries (particularly OECS countries).¹⁶⁰

KEY LESSONS LEARNED

Increasing the number of implementing agencies available to SIDS has not necessarily resulted in more agencies working actively in those countries. For the Adaptation Fund, many SIDS have struggled with accreditation requirements but have succeeded with sustained support. The challenge of working with local regional institutions and identifying comparative advantages suggests there are opportunities for better partnerships.

Country presence also matters, with many agencies without country offices in the smallest SIDS.

- An independent evaluation of the Adaptation Fund found it effective in supporting direct access to vulnerable countries such as LDCs, SIDS and countries with weak governance or institutional capacity – even though very small ministries, agencies and institutions in SIDS have struggled to meet accreditation requirements.¹⁶¹ Many NIEs, particularly in SIDS and LDCs, require sustained support to navigate and fully benefit from the accreditation process.
- In the GEF, the benefits of expanding the GEF partnership to 18 agencies have so far not yet been conferred to SIDS, since most agencies, with the exceptions of UNDP, the World Bank

¹⁵⁹ World Bank, 2017b.

¹⁶⁰ IDB, 2017.

¹⁶¹ TANGO International, 2018; TANGO International in association with the Overseas Development Institute, 2015.

and regional development banks, rarely have in-country presence in SIDS. The SIDS governments often work with more thematically specialized agencies such as FAO and UNEP for highly technical projects.¹⁶²

- An evaluation of the UNDP in the Pacific considered the role of the UNDP versus the Council of Regional Organizations of the Pacific agencies, who operate at regional and country levels. It suggested that options could range from the UNDP remaining as a TA provider, to the UNDP “moving up the value chain to become a broker for global, cutting-edge knowledge and solutions, while CROP [Council of Regional Organisations in the Pacific] agencies would become development assistance providers of first resort vis-a-vis the countries”. The same evaluation also noted that donor funds’ competitive processes for funding allocation is the essential factor that limits collaboration among implementing agencies (e.g. UNEP and UNDP).
- In the Pacific, the World Bank has not always collaborated effectively with the CROP agencies. “The World Bank was often seen as acting apart from regional institutions except when it needs them for implementation.”¹⁶³

G. PRIVATE SECTOR

BENCHMARKING

Like the GCF, the climate funds generally either do not have corporate-level private sector strategies or have not explicitly considered the special circumstances of SIDS in such strategies. The GCF, however, has identified specific recommendations for private sector engagement in SIDS, some of which feature in its Updated Strategic Plan. The MDBs have regional or country approaches for supporting the private sector in SIDS, consistent with their approach to multi-year programming. These include both support for the enabling environment for private investment and direct support for private finance. In SIDS, SMEs also feature prominently in the MDBs’ strategies and are typically reached through intermediaries.

- The **GEF** private sector strategy does not make specific mention of SIDS or strategies for engaging the private sector in SIDS. In GEF-6, the implementation modalities for the GEF non-grant instrument pilot provided that projects/programmes with loans to public sector recipients “will use differentiated terms: softer concessional terms will be offered to LDCs and SIDS”.¹⁶⁴ Such provisions are not mentioned in the non-grant programme for GEF-7, however.¹⁶⁵
- The **CIF** has encouraged private sector investments through its Dedicated Private Sector Programmes and Private Sector Set-Aside. While SIDS have participated in these private sector windows, they were not given specific attention in the design of the programmes.
- The **Adaptation Fund** does not have a specific strategy for engaging the private sector.
- The **ADB** strategies for the private sector in the Pacific SIDS include (a) to expand efforts to create a more enabling environment for the private sector; and (b) to “engage directly with the private sector to support more investment, including by extending advisory services to selected SMEs and for relatively large infrastructure investments, explore combining sovereign and

¹⁶² GEF IEO, 2016b.

¹⁶³ World Bank, 2016a.

¹⁶⁴ GEF, 2014.

¹⁶⁵ GEF, 2018b.

non-sovereign resources and financing instruments to reduce the high cost of financing”¹⁶⁶ (especially for large infrastructure investments), and pursue bankable public–private partnerships.

- In the **World Bank Group**, attracting private finance for diversification is a key pillar of its road map for engagement in small states.¹⁶⁷ Strategies include enhancing efforts for debt sustainability (such as through debt swaps); deepening private sector involvement through IFC and blended finance (including through climate finance and SME facilities); mobilizing other sources of private sector finance (such as through green bonds, blue bonds, diaspora bonds, challenges funds and development impact bonds); focusing on de-risking; decreasing vulnerability through diversification and intensification; and enhancing connectivity. In the Pacific SIDS, the IFC will help implement an integrated advisory and investment programme that finances private investment, mobilizes capital, and advises businesses and governments on improving the enabling environment for private sector investment. Strategic areas of focus include new renewable off-grid and small grid solutions, where the IFC would attempt to replicate successful regional models used in the telecoms and banking sectors to expand into renewable energy.¹⁶⁸ In the Caribbean, the focus is “on laying the foundations for increased private participation in the economy by creating a more effective investment climate and promoting the competitiveness of industries with high potential, including tourism and agribusiness”.¹⁶⁹
- Because **IDB** has country-specific strategies for each of the Caribbean SIDS, its approach to engaging the private sector is individual to each of those strategies. The IDB is somewhat unique in that its private sector arm, the Inter-American Investment Corporation (IIC, now renamed IDB Invest) was the only MDB with an explicit mandate to support SMEs. While IIC continued to provide direct SME financing,¹⁷⁰ most MDBs, like IFC, have moved to a model that provides financial support to SMEs almost exclusively through financial intermediaries, given the challenges of reaching scale through a direct approach. A 2017 evaluation, however, recommended that IIC discontinue providing direct loans to SMEs.¹⁷¹
- Under the Cotonou Agreement, the **EIB** set up an Investment Facility to support SMEs and broaden and deepen local financial markets in ACP states. The facility is meant to operate on market terms and generate returns in the long run, but it allows EIB to accept a higher level of risk than if it were using its own resources, because the facility’s investments are covered by a full guarantee from European Union Member States. Through the facility, support to SMEs and initiatives can be intermediated through credit lines extended to financial intermediaries or through joint ventures for on-lending to SMEs, equity investments in private equity funds, and, to a limited extent, risk sharing instruments and microfinance.
- The **UNDP** strategies related to climate change in the Pacific and Caribbean identify the private sector as a key partner, particularly in the energy sector, and expect to leverage the private sector as “an investor to scale up development solutions”.¹⁷²

¹⁶⁶ ADB, 2017b.

¹⁶⁷ World Bank, 2016a.

¹⁶⁸ World Bank, 2017b.

¹⁶⁹ World Bank, 2014.

¹⁷⁰ Meaning that the direct client is an SME rather than an intermediary (such as a financial institution, fund or corporation) through which SMEs would be reached.

¹⁷¹ IDB OVE, 2017.

¹⁷² United Nations, 2017.

KEY LESSONS LEARNED

Evaluations by the World Bank and ADB in the Pacific highlighted the close linkages between the public and private sectors and the heightened need for a coordinated approach, especially in the smallest SIDS. The ADB also questioned the suitability of a one-size-fits-all approach to non-sovereign lending requirements in the small Pacific SIDS context, given past challenges in securing such investments. Other evaluations, such as that from GEF, focused more on the private sector as a stakeholder engaged in project design and implementation. The EIB evaluation of support for SMEs in ACP states found that resources tended to congregate in Sub-Saharan Africa among this grouping.

- The recent GEF IEO cluster evaluation of its SIDS portfolio found that private sector stakeholders are often involved in the design of new projects, and half of projects consulted with the private sector during implementation. Although nearly a third of GEF projects had a public–private partnership during implementation, only one project had any evidence of private sector financing beyond the project’s time frame. Previous IEO country-level and cluster country portfolio evaluations reviewed did not consistently address issues related to private sector engagement.¹⁷³
- In the Pacific SIDS, a key issue identified by the World Bank IEG is that the SIDS’ small size means that the “boundaries between the public and private sectors are unusually porous, and support for private sector development invariably requires close coordination with the government. The premium on a well-coordinated approach by the World Bank and IFC is therefore even higher than that in larger countries.” The IEG found that the World Bank and IFC programmes were “broadly in sync” but were “far from achieving the levels of systematic coordination needed” to promote private sector development. Although the financial sector had not been part of the World Bank’s core strategy in the Pacific SIDS, the Fiji renewable energy programme was seen as showing “that the World Bank can intervene effectively in the sector by providing guarantees to help commercial banks overcome some of the perceived risks of lending to small enterprises”.¹⁷⁴
- Recognizing that the potential for economic growth in the smallest Pacific SIDS is limited by “binding constraints related to geographic and demographic size, isolation and scarcity of resources”, an ADB IED evaluation found mixed results, with some progress in creating an enabling environment for private sector development in Samoa, Tonga and Solomon Islands, and much less progress in the smallest SIDS. The evaluation emphasized the important linkages between public sector management and private sector development in the Pacific context, recommending that ADB expand its support for private sector development, through a mix of sustained policy-based operations, investment projects and better support for public sector capacity.

The ADB IED evaluation also notes that the bank’s “attempts to contribute to private sector development through non-sovereign operations have been too limited to achieve improvements in private sector growth and, with the exception of Samoa, have not covered PIC-10 countries, where the potential for and size of such operations is small”. While the ADB Private Sector Operations Department (PSOD) maintains dialogue with several private sector institutions and has conducted due diligence in some cases, this has not led to non-sovereign investments, with “PSOD citing significant challenges and constraints imposed by the operating contexts,

¹⁷³ GEF IEO, 2019b.

¹⁷⁴ World Bank IEG, 2016a.

including high country risk and low risk-adjusted returns”. The evaluation concluded that the ADB non-sovereign investment product is “not designed to meet Pacific needs”.

- Subsequently, a Pacific Business Investment Facility providing business advisory services to SMEs to enable them to attract commercial finance was approved but closed early due to reallocation of trust fund resources. Some of the lessons learned from the facility were (a) the importance of engaging local talent in identifying local businesses for support; (b) the significant time and effort required to establish relationships and trust with local SMEs and financial institutions in the Pacific region; and (c) the importance of a holistic approach that addresses the capacity constraints of financial institutions and SME industry value chain impediments.¹⁷⁵
- The EIB Operations Evaluation found that intermediated loans were largely concentrated in a few ACP countries primarily in Sub-Saharan Africa, none of which were SIDS. Among SIDS, EIB provided intermediated loans to the Pacific region (including the FSM and Samoa), an area that is not served by other international financial institutions with the exception of Papua New Guinea. The EIB also provided facility-intermediated loans to Seychelles, and through its own resources to Saint Kitts and Nevis, and Dominica. Jamaica was the only SIDS identified where other international financial institutions have signed intermediated loans and EIB did not.¹⁷⁶

H. PROVIDING COUNTRY SUPPORT

BENCHMARKING

Like the GCF RPSP, most of the funds organize centrally managed regional workshops and dialogues to share information and experience with beneficiary countries about their programme.¹⁷⁷ The World Bank’s model includes a Small States Forum chaired by a SIDS member.

- The **GEF** Country Support Programme is available to all countries, including SIDS. Events have been held regionally, such as extended constituency workshops in the Pacific and Caribbean in 2019. In the secretariat, the GEF Global Programming Unit has a dedicated SIDS team.
- Similarly, the **Adaptation Fund**’s readiness activities, which focus primarily on supporting the accreditation of NIEs, are open to all eligible countries, including SIDS. Readiness events, such as seminars and workshops, have been held on a regional basis, including in Caribbean SIDS.
- The **CIF** has also held regional events with strategic programming, capacity-building and learning objectives, including in SIDS. The CIF operational model relies heavily on its MDBs, including identifying a “lead” MDB for each pilot country with responsibilities for country engagement, support and coordination. In the Caribbean, the World Bank has generally led in the OECS countries that are not IDB members, while IDB has led for its members plus the regional track. In the Pacific, ADB leads in Papua New Guinea, Solomon Islands, Tonga and the regional track, while the World Bank leads in Samoa and Vanuatu.
- The **World Bank Group** similarly facilitates knowledge exchanges for small states, including through its annual Small States Forum, which convenes during the Annual Meetings, is chaired by a SIDS member, and has frequently focused on resilience and vulnerability.

¹⁷⁵ ADB, 2019c.

¹⁷⁶ EIB Operations Evaluation, 2017.

¹⁷⁷ GCF IEU, 2018.

KEY LESSONS LEARNED

The evaluative literature in SIDS shows that the challenges of capacity development, including small human resource bases and outmigration, have long been recognized – but they have not yet been well resolved. **Starting projects by conducting capacity assessments,¹⁷⁸ developing realistic human resource strategies that consider other options besides building local capacity, and ensuring tailored approaches** are some of the elements of effective capacity-building that have been identified through long-standing partnerships in these countries with UNDP, ADB and the World Bank Group.

- Evaluations by ADB and the World Bank in the Caribbean and Pacific SIDS have pointed to **persistent challenges associated with the lack of implementation and oversight capacity in government agencies**. To better deliver project outputs in the short term, these agencies typically create project coordination or implementation units and use long-term advisers to supplement government systems. For example, Kiribati is currently receiving exceptional levels of infrastructure investment that it does not have the capacity to manage; instead, a central executing agency is financed and supported by development partners.¹⁷⁹ When these units are not well integrated into regular government or regional structures, however, issues are raised concerning the sustainability of the capacity. In the Pacific, an IEG evaluation found that project management unit staff salaries are often well above regular ministry levels, meaning that the career path may not lead back into government but to migration instead. For the UNDP in the Pacific, deeper capacity sustainability issues are frequently not addressed, such as whether governments will take over the remuneration of experts in instances when the long-term attachment of technical experts is required. These challenges have long been recognized, but solutions are lacking in the evaluative literature.
- **Issues for or challenges to capacity-building in SIDS include the following:**
 - Small government departments and frequent turnover in local staff (as well as the outmigration of trained staff), making it difficult to entrench the benefits of capacity-building¹⁸⁰
 - Participating in training and regional meetings (particularly related to GEF commitments) consuming enormous amounts of time that is not spent on normal work¹⁸¹
 - Over-reliance on training as a form of capacity-building in SIDS, without evaluating the effectiveness of that approach, as well as training focused on the needs of the project rather than on the priorities and needs of the implementing institution¹⁸²
 - Efforts that are scattered, sporadic or overly ambitious¹⁸³
- **Elements identified for promoting effective capacity-building interventions in SIDS include the following:**
 - Sufficient prioritization of issues by national or regional policymakers
 - Dynamic, influential leadership by the national or regional executing agency¹⁸⁴
 - Avoiding stand-alone projects that require separate personnel and resources to manage

¹⁷⁸ The new ADB Pacific Approach, for example, seeks to start all projects with capacity assessments.

¹⁷⁹ ADB IED, 2015.

¹⁸⁰ ADB IED, 2015; UNDP EO, 2012.

¹⁸¹ UNDP EO, 2012.

¹⁸² UNDP EO, 2012.

¹⁸³ World Bank IEG, 2016b.

¹⁸⁴ World Bank IEG, 2016b.

- Taking into account national differences (i.e. avoiding a one-size-fits-all approach), especially recognizing a country's size and its human resource base, cultural norms and practices, and special relationships with countries that “distort salary incentives and put competition for human resources on an international level”¹⁸⁵
- Capacity assessments and human resource strategies that identify specific training and professional development needs, as well as gaps that can best be filled by some kind of outsourcing, recognizing that in some SIDS, “trying to build local capacity is not necessarily the answer”¹⁸⁶
- Evaluations of ADB and UNDP activities in SIDS noted the **infrequency of capacity assessments as a shortcoming** in small states, where weaknesses in institutional capacity are an inherent challenge. In the words of an evaluation of UNDP activities in the Pacific: “In spite of the importance of this aspect of programming, there is no overall analysis or strategy outlining the approaches to capacity development in the context of the Pacific. Very few projects also had any capacity assessment as part of the formulation.”¹⁸⁷

I. ADDITIONAL LESSONS LEARNED ABOUT FACTORS AFFECTING RESULTS AND SUSTAINABILITY IN SIDS

Overall, the evaluative evidence suggests that climate change and development projects in SIDS have been less impactful than hoped. Error! Reference source not found. Table A - 4 below synthesizes the factors that have been found to help and hinder results and sustainability in SIDS, across the international agencies.

- In the GEF, **the performance of SIDS projects was lower than the overall GEF portfolio on the dimensions of outcome performance, and implementation and execution quality.** The evidence on sustainability is mixed. On the one hand, country-level GEF evaluations confirm that long-term sustainability of achievements in SIDS remains a challenge, mainly due to financial and human capacity constraints. On the other hand, at the portfolio level, the Sixth Overall Performance Study of the GEF (OPS6) found that sustainability of outcomes in SIDS is comparable to the average for the entire GEF portfolio.
- In the OECS countries, a World Bank IEG evaluation found that “**Bank support through the series of climate change adaptation projects had limited impact.** Total financing for the projects was small and spread over many countries, enabling only small-scale actions in each country. In addition, the projects were not tied into country strategies or coordinated with existing DRM [disaster risk management] programmes, which contributed to weak government ownership. While many project outputs were broadly successful, the overall impact on building resilience in the Caribbean was modest.”
- In the Pacific, fragmented World Bank “project-based DRM and climate change adaptation initiatives have not reduced underlying vulnerability in a lasting way”. Contributing issues were weak coordination between and within donor and country institutions, the need for improved access to climate and disaster data, and the need for mainstreaming disaster risk reduction and climate change adaptation in development planning.

¹⁸⁵ UNDP EO, 2012.

¹⁸⁶ World Bank IEG, 2016a.

¹⁸⁷ UNDP EO, 2012.

Table A - 4. Factors that help and hinder results and sustainability in SIDS

CONTRIBUTING FACTORS	HINDERING FACTORS
Strong national ownership; commitments backed by national strategies and budgetary allocations ^{b,f,g}	
Policy, legal and institutional framework for the environment and climate change ^b	Unfavourable political conditions and events; low level of public environmental awareness; and pressure to exploit sensitive areas ^b
Close engagement with CSOs in managing resources and processes; a participatory approach, centred on local communities ^{a,f}	Inadequate engagement of stakeholders; weak NGO sector ^{b,g}
Partnerships, including by facilitating more concerted channelling of resources ^{b,d}	
Keeping project designs simple to allow for limited institutional capacity ^d	Poor quality of project design; inadequate time spent on project preparation, detailed design and procurement, capacity development and analytical work ^{a,b}
Flexibility in project designs to accommodate costs that significantly exceed initial estimates ^d	Inadequate costing and budgeting of projects, given constraints peculiar to SIDS' remoteness and smallness; difficult and costly communication and transport ^{b,d,h}
Adaptive project management; strength of project teams and steering committees; improved field presence and supervision ^{a,b}	Shortcomings/weaknesses in implementation and implementation arrangements, including inadequate monitoring and supervision ^{a,c,e}
General institutional capacity, especially in the public sector, and institutional capacity-building ^b	Low institutional capacity and staff turnover/migration ^{a,b,e,f,g}
Sustained engagement on a small number of well-chosen strategic objectives; proper sequencing of activities ^d	
Replication and scaling up based on lessons learned ^b	Absence of consistent documentation and knowledge-capture adversely affects opportunities for replication ^g
Sustainable national financing mechanisms (e.g. environmental funds) to co-finance projects ^b	Lack of "exit strategy" and future financing ^{b,g}

Source: ^a ADB IED, 2015; ^b GEF IEO, 2016b; ^c IDB OVE, 2014; ^d World Bank IEG, 2016b; ^e World Bank IEG, 2016a; ^f UNDP EO, 2012; ^g UNDP EO, 2016; ^h TANGO International, 2015.

Annex 4. COUNTRY CASE STUDIES

For the sake of brevity, Annex 4 is published separately. It is available on the SIDS page of the IEU microsite: <https://ieu.greenclimate.fund/evaluation/sids2020>.

Annex 5. ADDITIONAL DATA FOR CHAPTERS

This annex presents additional data and materials to support the findings in the main report. The IEU may edit this annex for brevity and clarity in subsequent reprints.

A. CHAPTER I

Further information on the evaluation methods used to develop this report and the geographic representation of SIDS is provided below.

Table A - 5. Summary of evaluation methods

METHOD	DESCRIPTION
Document and literature review	<p>The evaluation team conducted an extensive review of GCF documents, including the GCF policies and operational frameworks; Board decisions and meeting reports; strategic plans; GCF reports to the UNFCCC COP and UNFCCC guidance to the GCF; Readiness and Preparatory Support Programme (RPSP) documents (including proposals and country programmes); accreditation documents; and project cycle documents (including concept notes, funding proposals, Secretariat and independent Technical Advisory Panel (iTAP) reviews, FAAs, and annual performance reports (APRs)).</p> <p>For the country studies, additional documentation was also reviewed, including nationally determined contributions (NDCs) and national adaptation plans (NAPs), as well as climate change policies and strategies, relevant documents for climate projects funded by other multilateral and bilateral agencies, and academic and grey literature on climate solutions and challenges in the country.</p> <p>The evaluation team also identified and reviewed key peer-reviewed and grey literature on climate change interventions in SIDS. This literature review provided a research grounding to the overall evaluation and was framed by this guiding question: <i>What are the critical constraints and opportunities for better climate finance in SIDS that the GCF should consider, in making its support for adaptation and mitigation more relevant and effective?</i></p> <p>To identify the peer-reviewed literature, we searched the Web of Science CAB Abstracts collection for literature on climate change and SIDS between 2012 and 2020, using relevant climate change related keywords as well as the words “Caribbean”, “Pacific”, and permutations of “small island state/nation/country”, and the list of GCF-eligible SIDS. This literature search identified 1,259 studies.¹⁸⁸ The titles of these studies were reviewed to determine their relevance. Among those deemed relevant, a priority selection was made of 26 studies based on these criteria and the input of a prominent scholar in the field, ensuring the following:</p> <ul style="list-style-type: none"> • Focus on all SIDS or a region within SIDS (e.g., Pacific, Caribbean), rather than being country specific • Focus on mitigation or adaptation barriers and solutions, rather than being intervention/sector specific • Coverage of the SIDS perspective, including indigenous approaches and views • Inclusion of SIDS authors <p>All documents consulted are provided in the references.</p>
GCF portfolio data analysis	<p>Portfolio-wide data are a key pillar of IEU evaluations. This evaluation relied on data collected, analysed and quality assured by the IEU DataLab¹⁸⁹ to inform qualitative and quantitative assessments. The IEU DataLab relied on primary data sources that were</p>

¹⁸⁸ As Kuruppu and Willie (2015) also note, there is a lack of climate change studies on African and Caribbean LDC SIDS, as well as “a paucity of academic as well as grey literature being produced by authors from LDC-SIDS”. The evaluation team identified a greater number of relevant studies for the Pacific and Caribbean SIDS regions than for the AIS.

¹⁸⁹ The IEU DataLab consists of a team of IEU personnel dedicated to collecting and processing quantitative and qualitative information about the GCF.

METHOD	DESCRIPTION
	<p>extracted manually by DataLab staff, including from focal points, CSO comments, APRs, Entity Work Programmes and country programmes, as well as the data management systems of the Secretariat, including GCF Readiness Management System (Fluxx), the integrated Portfolio Management System (iPMS), country and entity portals, and financial and procurement records, which were reviewed and cleaned by the DataLab prior to analysis.</p> <p>This evaluation considered data that were available up to and including 31 July 2020. This cut-off date was after the publication deadline for the twenty-sixth meeting of the Board (B.26). Therefore, documents submitted for the consideration of the Board at B.26 were extracted and analysed on the presumption of successful approval. Accordingly, data considered for this evaluation include AEs and funding proposals pending approval at B.26.</p> <p>Additional statistical analysis is also available in Annex 2.</p>
Semi-structured interviews	<p>Over the course of the evaluation, interviews were conducted with more than 160 people, including SIDS NDAs/focal points and other government ministries, departments, and agencies; accredited and nominated entities; executing entities; RPSP delivery partners and consultants; multilateral and bilateral agencies at the country and regional levels; CSOs; PSOs; external experts; UNFCCC Secretariat staff; staff in the GCF Secretariat and Independent Units; and GCF Board members. A full list of stakeholders consulted is provided in Annex 1.</p> <p>Interviews were guided by semi-structured protocols and tailored by stakeholder group and an overall qualitative data management protocol. Interviews were held via video conferencing platforms (e.g., Zoom, Microsoft Teams) where feasible, or via audio conference when not possible. Qualitative analysis of interview data by topic, stakeholder group and country were facilitated by coding interview transcripts using the software platform Dedoose. The evaluation team also employed the qualitative research technique of memoing to draw out key messages and flesh out patterns that were beginning to emerge in the data.</p>
Survey	<p>The evaluation team administered one survey via an online platform (LimeSurvey) to target key GCF SIDS stakeholder community members (NDAs / focal points, AEs, CSOs, PSOs and RPSP delivery partners). The primary objective of the survey was to solicit systematic feedback on the performance of the GCF in SIDS, as well as the potential challenges SIDS face in accessing the GCF. The survey was sent to all 78 key informants who had been interviewed by the evaluation team as of 29 June 2020, and in a second round, the survey was additionally sent to 86 SIDS stakeholders who were not interviewed. The team received 69 complete and 24 incomplete responses, resulting in a 42 per cent response rate for complete surveys. Survey results are provided in Annex 3.</p>
Innovation self-assessment	<p>An innovation tool was developed and self-administered to AEs implementing GCF-funded projects in SIDS. Fourteen of 29 SIDS projects returned completed tools, for a response rate of 48 per cent.</p>
Benchmarking and meta-analysis	<p>A benchmarking and meta-analysis exercise was conducted to learn from the approaches of other organizations working in SIDS. The focus was to identify lessons learned and successful strategies that other agencies have employed in climate and development activities in SIDS. Relevant agencies for potential benchmarking were identified by including global climate finance organizations, as well as multilateral, bilateral and regional agencies that are dedicated to SIDS, operate specific SIDS windows or programmes, or provide high volumes of finance to SIDS. A meta-analysis of relevant evaluations of these institutions was conducted to identify and synthesize key learnings for the GCF. For international agencies, documentation was the primary data source; for bilateral and regional agencies, interviews were the main evidence source. A summary of this analysis is presented in Chapter II and the full analysis in Annex 4.</p>
Country case studies	<p>The evaluation team undertook six remote country case studies (Barbados, Belize, Kiribati, the Republic of the Marshall Islands, Saint Lucia and Seychelles). The countries</p>

METHOD	DESCRIPTION
(primary data collection and synthesis)	<p>were purposively selected according to criteria and considerations that are described in-depth in the Inception Report for this evaluation. These criteria included, among others, geographic coverage across the three regions of SIDS, inclusion of countries with an approved project and inclusion of at least one country with a national DAE.</p> <p>In addition to these country case studies, the evaluation team reviewed and synthesized the eight SIDS case studies (Antigua & Barbuda, Fiji, Grenada, Haiti, Mauritius, Samoa, Solomon Islands and Vanuatu) from the recent FPR, RPSP, COA and ESS evaluations made by the IEU. Thus, in total, this evaluation was informed by previous case studies from 14 SIDS, as shown in the figure below.</p> <p>The country case studies are provided in Annex 4.</p>

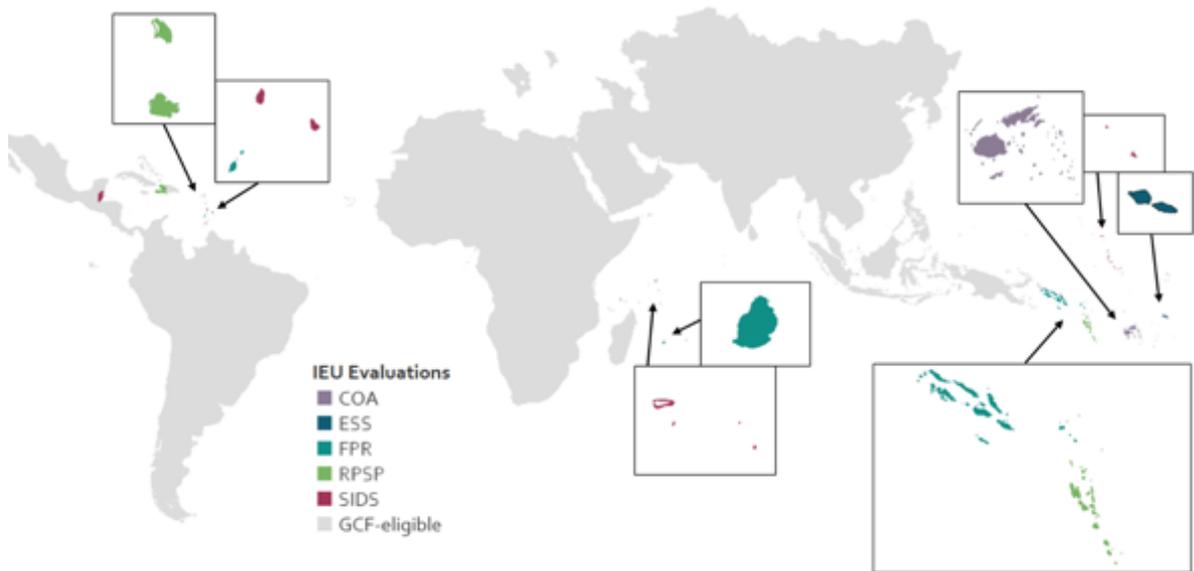


Figure A - 15. Geographical representation of SIDS country case studies for IEU SIDS, FPR, ESS, COA and RPSP evaluations

Source: Database of global administrative areas (2020), as of 31 July 2020, analysed by the IEU DataLab.

B. CHAPTER II

Further information on the background, context and lessons learned regarding SIDS and the work of the GCF in SIDS is provided below.

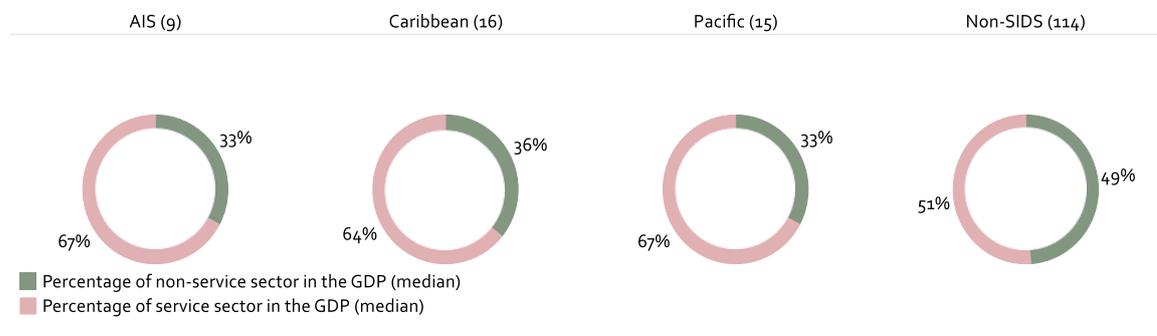


Figure A - 16. Percentage of service sector in the GDP by SIDS region

Source: For sector data as a percentage of GDP: World Bank (2019), as of 31 July 2020, analysed by the IEU DataLab.

Note: Service sector includes value added in wholesale and retail trade (including hotels and restaurants), transport, and government, financial, professional and personal services such as education, health care and real estate services (World Bank, 2019). Out of 15 GCF-eligible Pacific region SIDS, 6 have missing values. Out of 114 GCF-eligible non-SIDS, 7 have missing values. Numbers in parentheses refer to the number of countries included in the analysis.

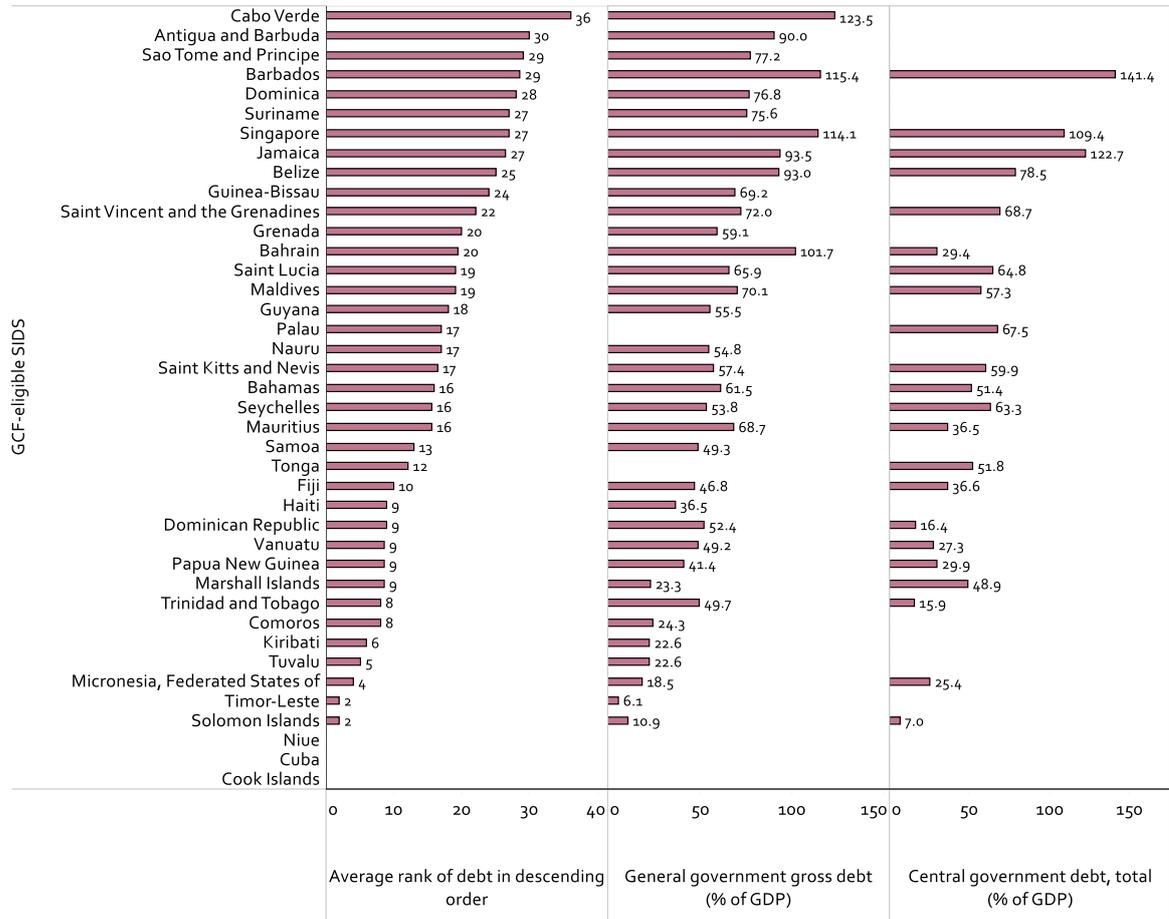


Figure A - 17. Debt status of GCF-eligible SIDS

Source: For general government gross debt (percentage of GDP): World Bank debt data (2018). For Central government debt, total (percentage of GDP): IMF debt data (2019), as of 31 July 2020, analysed by the IEU DataLab.

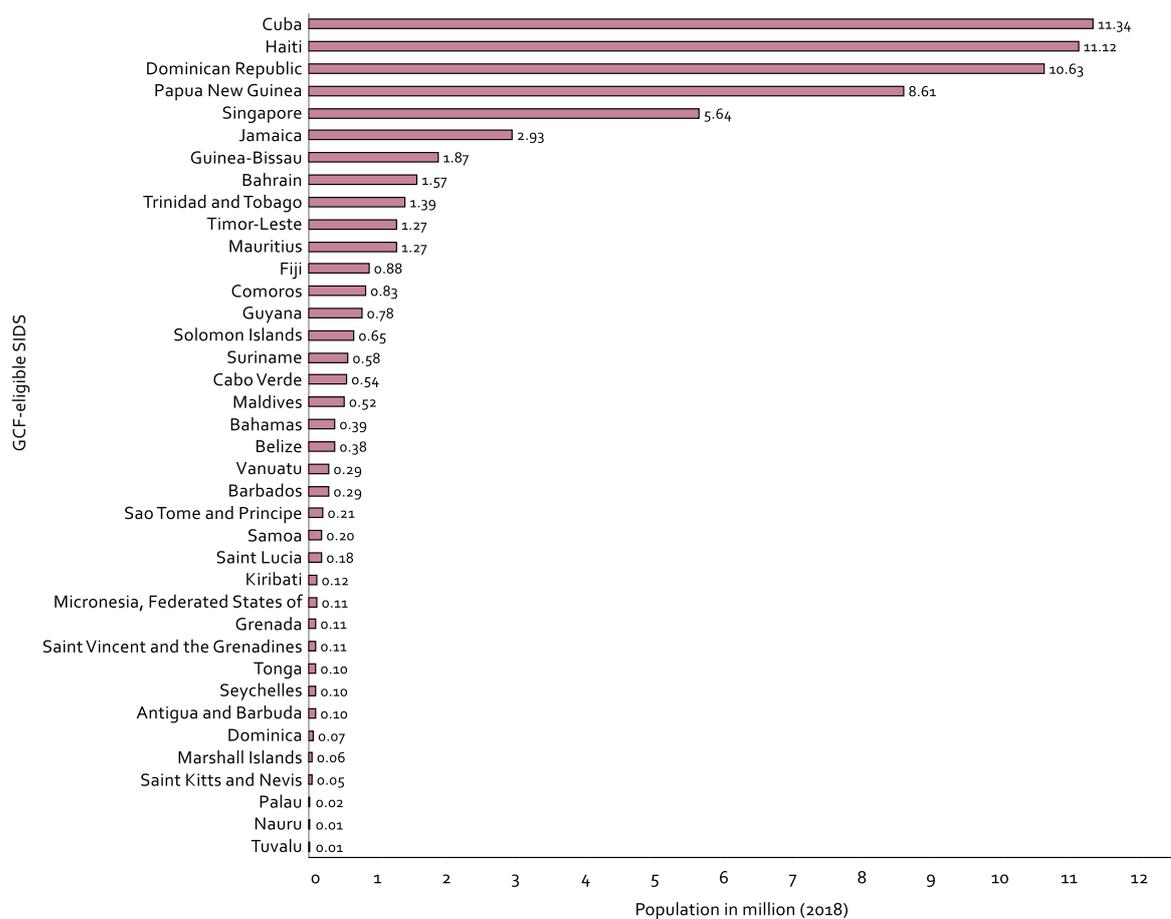


Figure A - 18. Population in GCF-eligible SIDS

Source: World Bank (2018), as of 31 July 2020, analysed by the IEU DataLab.

Note: This graph does not include Cook Islands and Niue due to the lack of data accessibility.

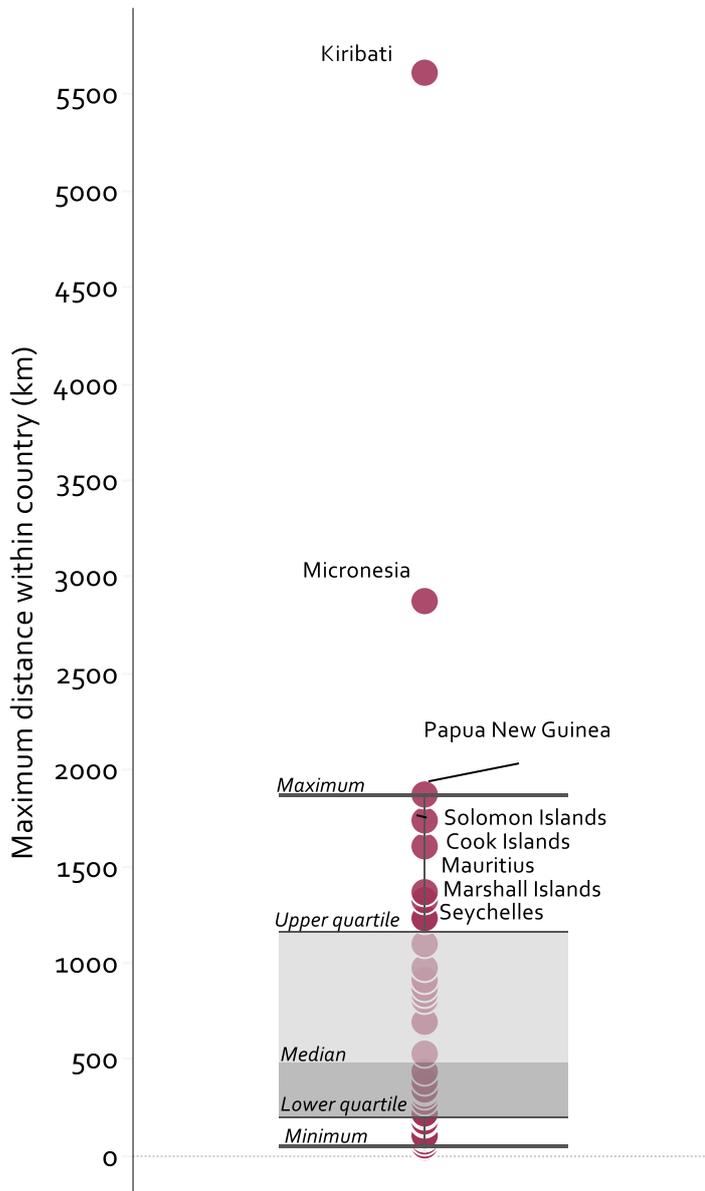


Figure A - 19. Distance (km) between islands within the same SIDS nation

Source: Database of global administrative areas (2020), as of 31 July 2020, analysed by the IEU DataLab.

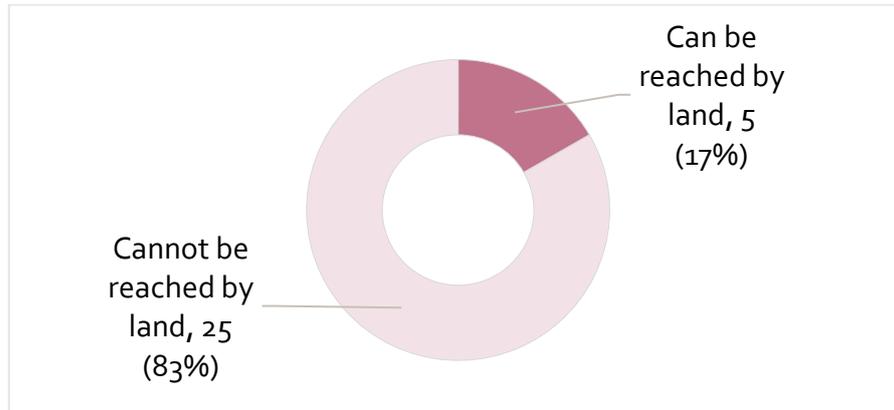


Figure A - 20. Number of SIDS with GCF projects (out of a total of 30) that can be reached by land from another country

Source: Database of global administrative areas (2020), as of 31 July 2020, analysed by the IEU DataLab.

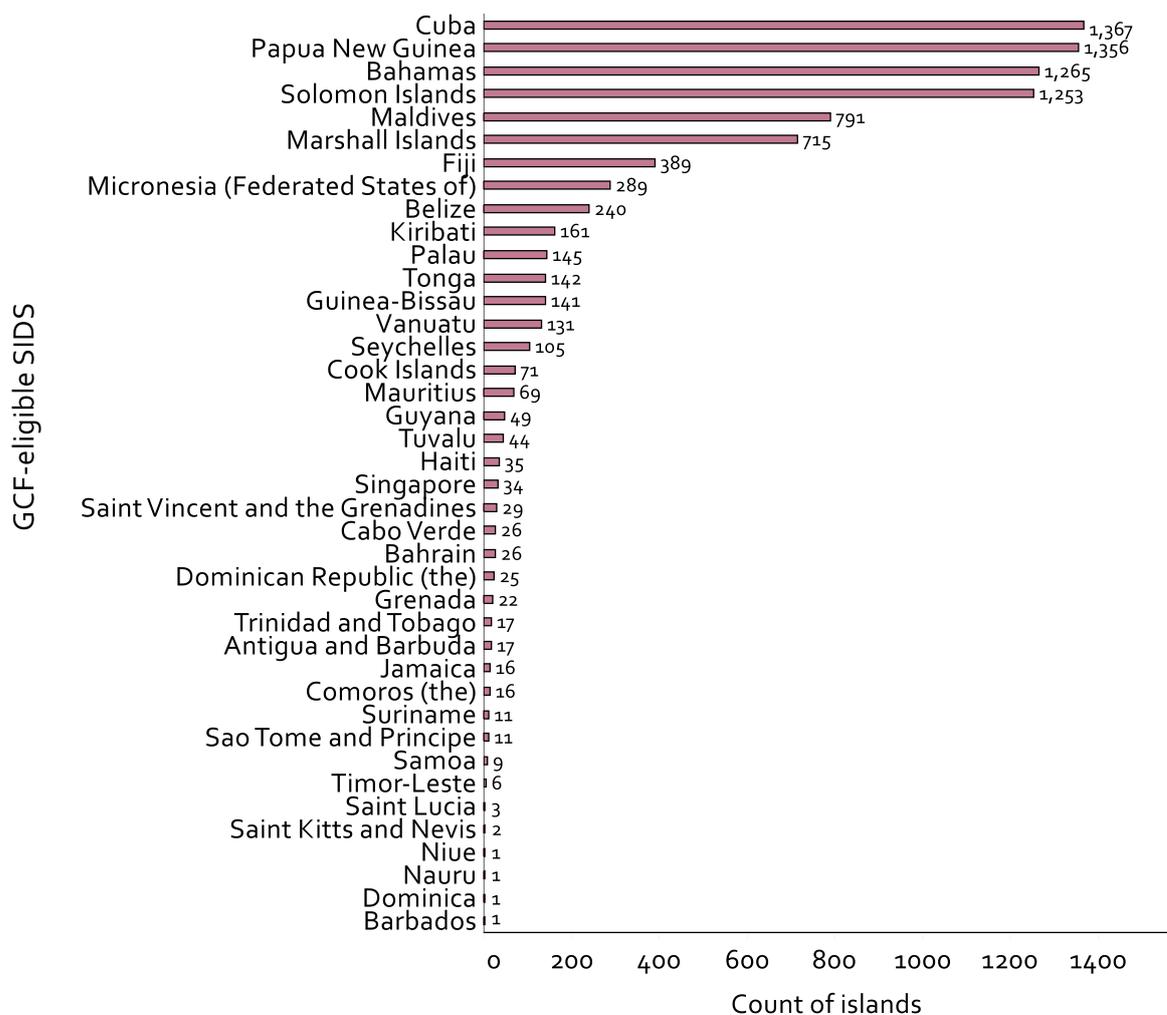


Figure A - 21. Count of islands in GCF-eligible SIDS

Source: Database of global administrative areas (2020), as of 31 July 2020, analysed by the IEU DataLab.

Note: This analysis consists of 38 GCF-Eligible SIDS. Bahrain and Nauru are not included in this analysis due to lack of data accessibility.

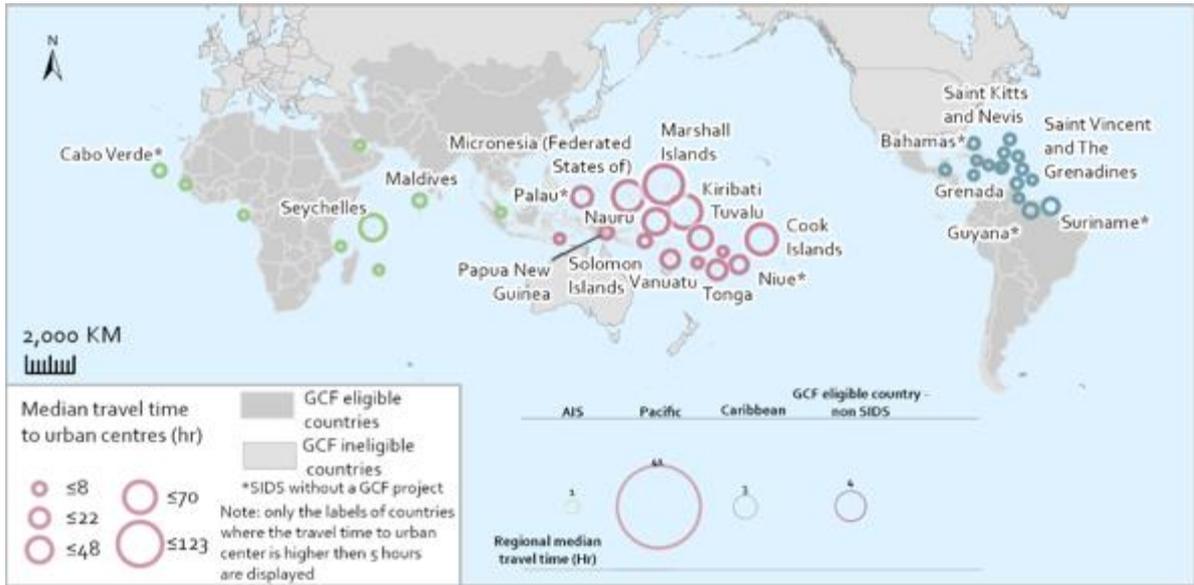


Figure A - 22. Median travel time (hours) to urban centres in SIDS (map)

Source: For travel time to cities data: Accessibility to Cities (2015). For countries' boundaries: Global administrative areas (2020), as of 31 July 2020, analysed by the IEU DataLab.

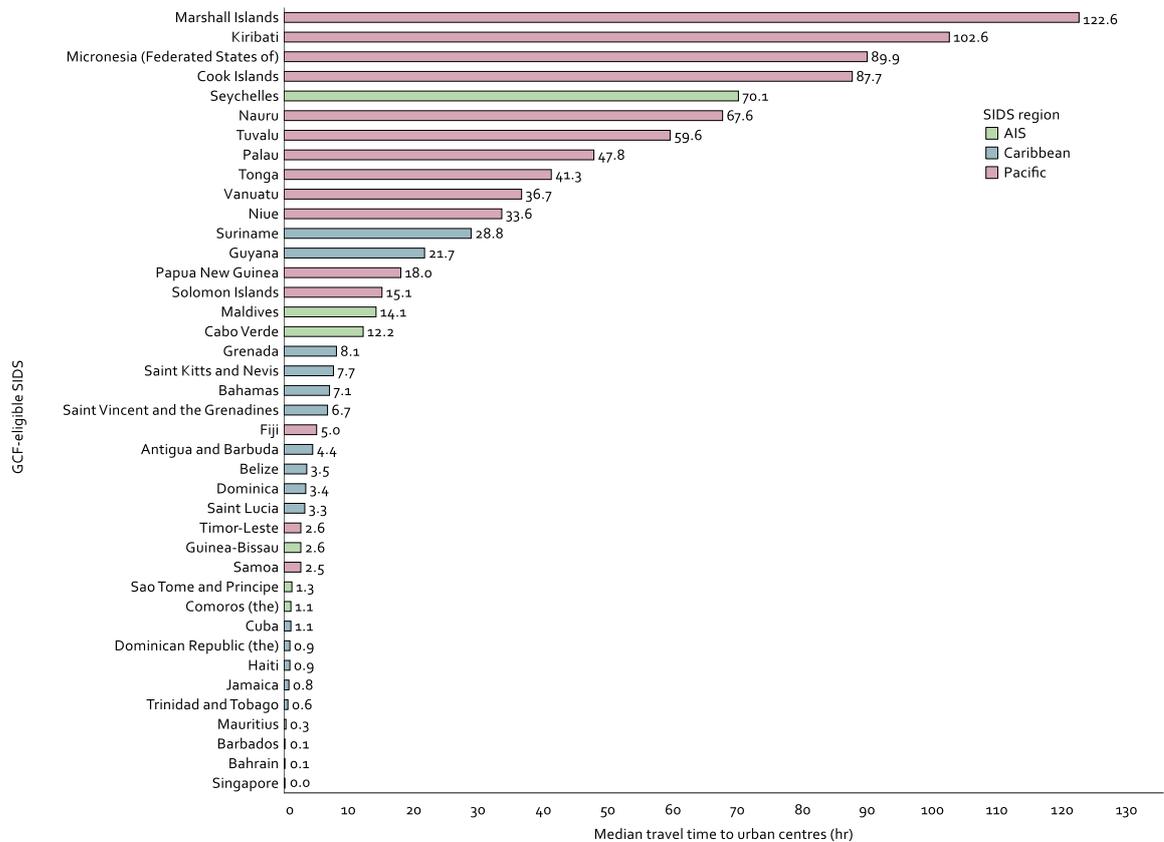


Figure A - 23. Median travel time (hours) to urban centres in SIDS (bar chart)

Source: For travel time to cities data: Accessibility to Cities (2015), as of 31 July 2020, analysed by the IEU DataLab.

C. CHAPTER III

Further information on the relevance of GCF guidance, frameworks and policies for SIDS is provided below.

Table A - 6. Concept and approaches to loss and damage over time

UNFCCC PROCESSES	APPROACH TO LOSS AND DAMAGE
COP 13 (2007)	The COP officially recognized loss and damage in the Bali Action Plan, where the concept was introduced as part of enhanced action on adaptation. The plan included disaster reduction, risk management and risk reduction strategies, including risk sharing and transfer mechanisms such as insurance.
COP 14 (2008)	The Alliance of Small Island Developing States (AOSIS) proposed that the UNFCCC institute a centralized mechanism that would include three mutually reinforcing components to address loss and damage: (1) insurance; (2) rehabilitation and compensation; and (3) risk management.
COP 16 (2010)	The Cancun Agreement included a work programme that considered approaches to address loss and damage (such as impacts of extreme weather and slow-onset events) and strengthened international cooperation and expertise to understand and reduce loss and damage.
COP 19 (2013)	The UNFCCC established the Warsaw International Mechanism (WIM) and its Executive Committee. The WIM serves as the main vehicle to address loss and damage associated with climate change in developing countries and consists of three components: (1) enhancing knowledge/understanding of risk management; (2) strengthening dialogue among relevant stakeholders; and (3) enhancing action and support, such as finance.
COP 21 (2015)	The Paris Agreement includes an article focusing on loss and damage, a treatment for which SIDS and LDCs had advocated. Article 8, paragraph 4, lists the following areas of cooperation and facilitation to enhance understanding, action, and support: <ol style="list-style-type: none"> 1. Early warning systems 2. Emergency preparedness 3. Slow-onset events 4. Events that may involve irreversible and permanent loss and damage 5. Comprehensive risk assessment and management 6. Risk insurance facilities, climate risk pooling, and other insurance solutions 7. Non-economic losses 8. Resilience of communities, livelihoods and ecosystems

Source: Key informant interviews with GCF Secretariat, GCF Board members, and SIDS country stakeholders; and AOSIS, 2019; document GCF/B.25/16; document GCF/B.25/09; document GCF/B.26/Inf.09; document GCF/B.21/Inf.03/Add.01; GCF, 2011; GCF, n.d.; Hansen, G. et al., 2015; IOM UN Migration, 2014; Roberts, E. et al., 2016; Thomas, A. et al., 2017; Thomas, A. et al., 2019; Thomas A. et al., 2020; document FCCC/CP/2019/13/Add.2.

Table A - 7. Frameworks and policies identified by SIDS stakeholders as most relevant and/or potentially constraining for the special needs and circumstances of SIDS

FRAMEWORKS AND POLICIES	CONCERNS/CONSIDERATIONS RAISED BY INTERVIEWEES			
	Small size of SIDS	Need for flexibility	Constraints in access to human and financial resources/capacity	High transaction/operational costs
Initial Guiding Framework for the Fund's Accreditation Process (B.07/02, annex I)	Yes	Yes	Yes	
Investment Framework (B.09/05; B.22/15)	Yes	Yes		Yes
Incremental cost and full cost**		Yes	Yes	
Concessionality**		Yes	Yes	
Co-financing**	Yes	Yes	Yes	
Programmatic approach**		Yes		Yes
Simplified Approval Process (B.18/06)	Yes		Yes	Yes
Cancellation and Restructuring Policy (B.22/14)		Yes	Yes	
<i>Additional key policies assessed in prior IEU evaluations</i>				
Results Management Framework and Performance Measurement Frameworks (B.08/07; B.07/04; B/05/03)			Yes	Yes
Environmental and Social Policy (B.19/10); GCF Indigenous Peoples Policy (B.19/11)			Yes	Yes
Accreditation framework				Yes

Source: IEU analysis, based on policies, concerns and considerations raised in stakeholder interviews and country studies; IEU, 2019b; IEU, 2020a.

Note: ** Not yet Board approved.

Table A - 8. Full list of policies and strategic frameworks reviewed by the evaluation team

POLICIES AND STRATEGIC FRAMEWORKS	DECISION(S)
Initial Guiding Framework for the Fund's Accreditation Process	B.07/02, Annex I
Policy on Fees for Accreditation	B.08/04
Policy on Fees for AEs and DPs	B.11/10, Annex II
Results Management Framework and Performance Measurement Frameworks	B.08/07; B.07/04; B/05/03
Investment Framework	B.09/05; B.22/15
Gender Policy	B.09/11; B.24/15
Monitoring and Accountability Framework for AEs	B.11/10, Annex I
Operational framework for complementarity and coherence	B.17/04
Risk Management Framework; Revised Risk Register and Risk Appetite Statement; Compliance Risk Policy	B.17/11 and B.19/04; B.17/11; B.23/14
Guidelines for enhanced country ownership and country drivenness	B.17/21
Simplified Approval Process	B.18/06
Environmental and Social Policy	B.19/10
GCF Indigenous Peoples Policy	B.19/11
Cancellation and Restructuring Policy	B.22/14
Anti-Money Laundering and Countering the Financing of Terrorism Policy	B.23/15

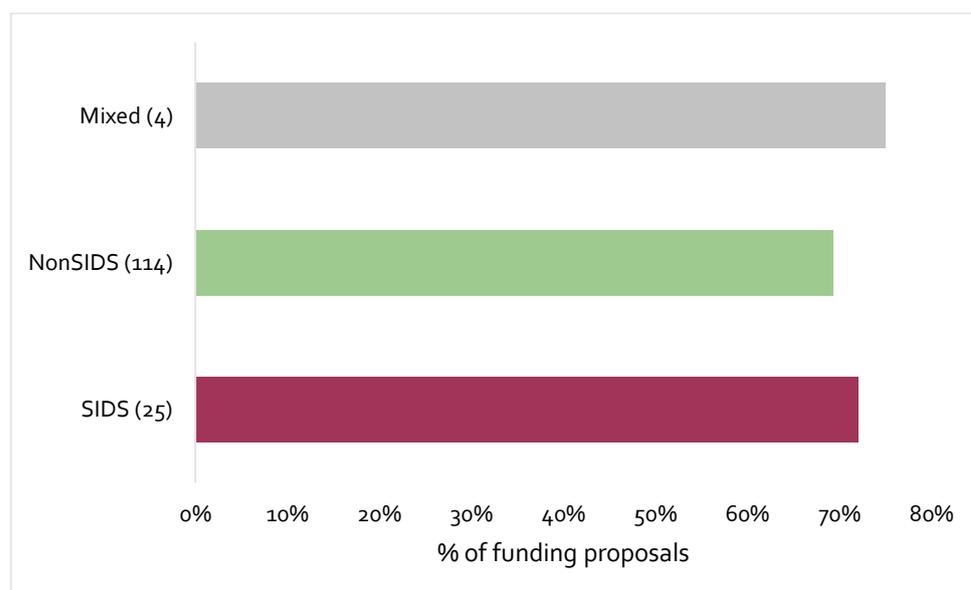


Figure A - 24. Economic feasibility of projects

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

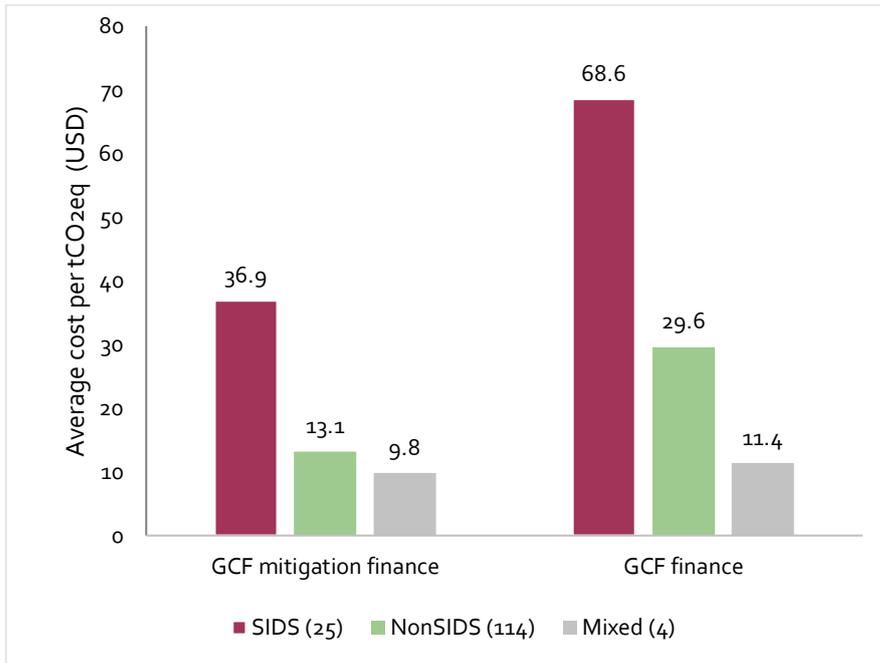


Figure A - 25. Average cost to abate one ton of CO₂eq (USD)

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

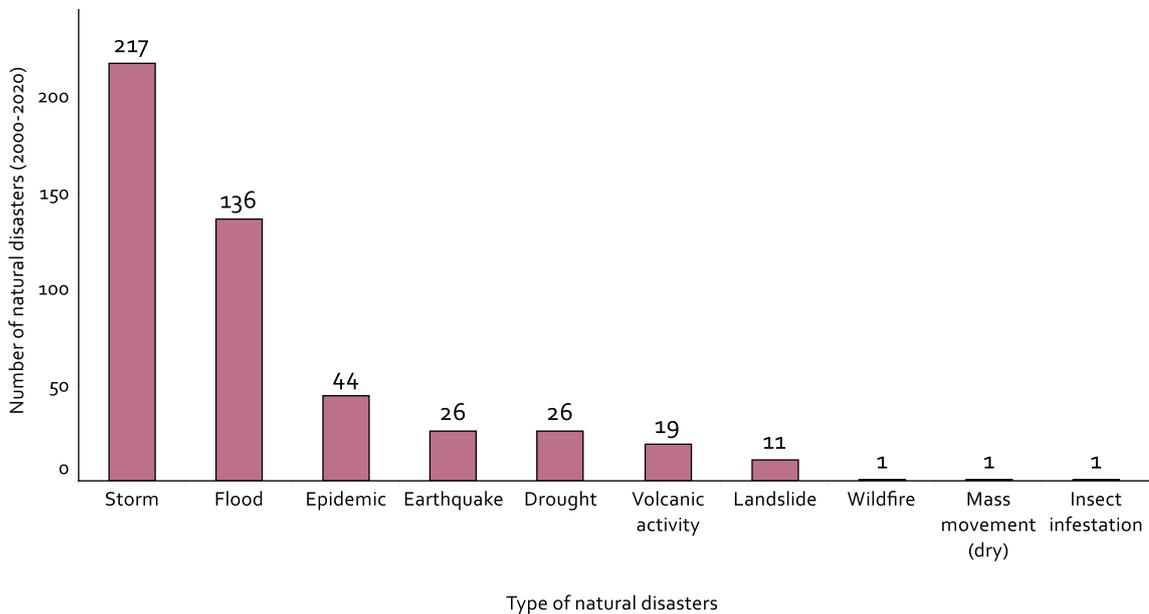


Figure A - 26. Number of natural disasters by type in GCF-eligible SIDS

Source: The International Natural Disasters Database, as of 31 July 2020, analysed by the IEU DataLab.

Note: This analysis consists of 38 GCF-eligible SIDS. Bahrain and Nauru are not included in this analysis due to lack of data accessibility.

D. CHAPTER IV

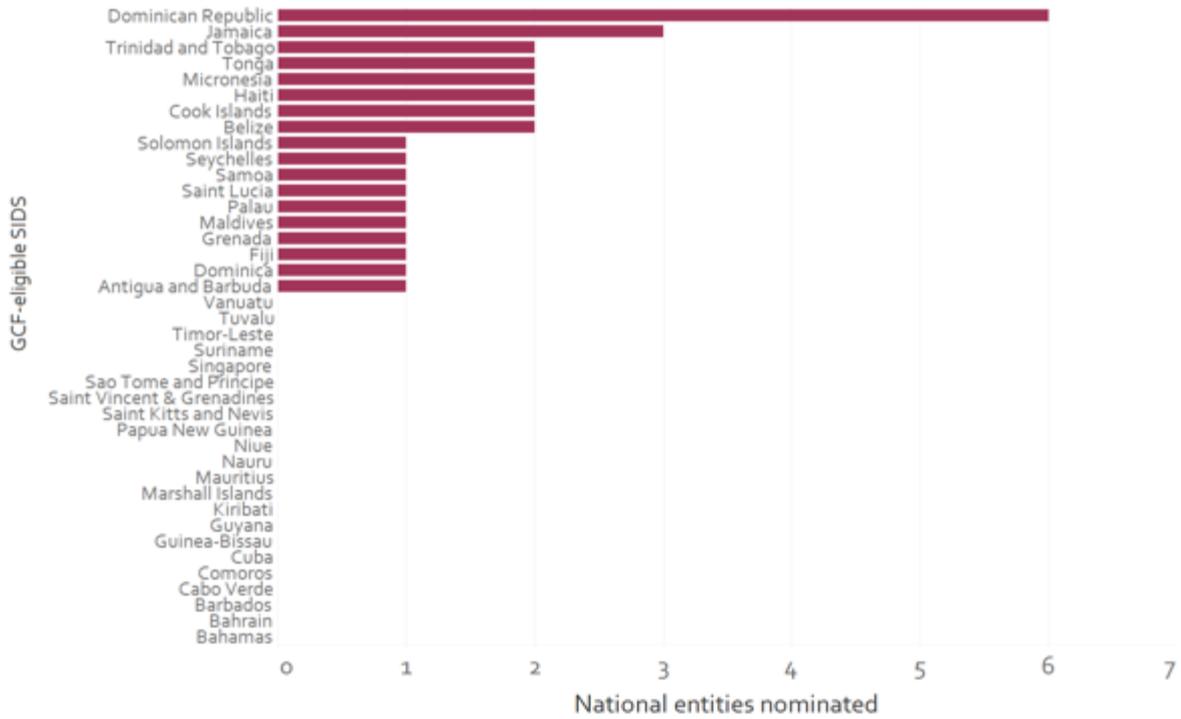


Figure A - 27. Number of national entities nominated for accreditation by GCF-eligible SIDS

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab.

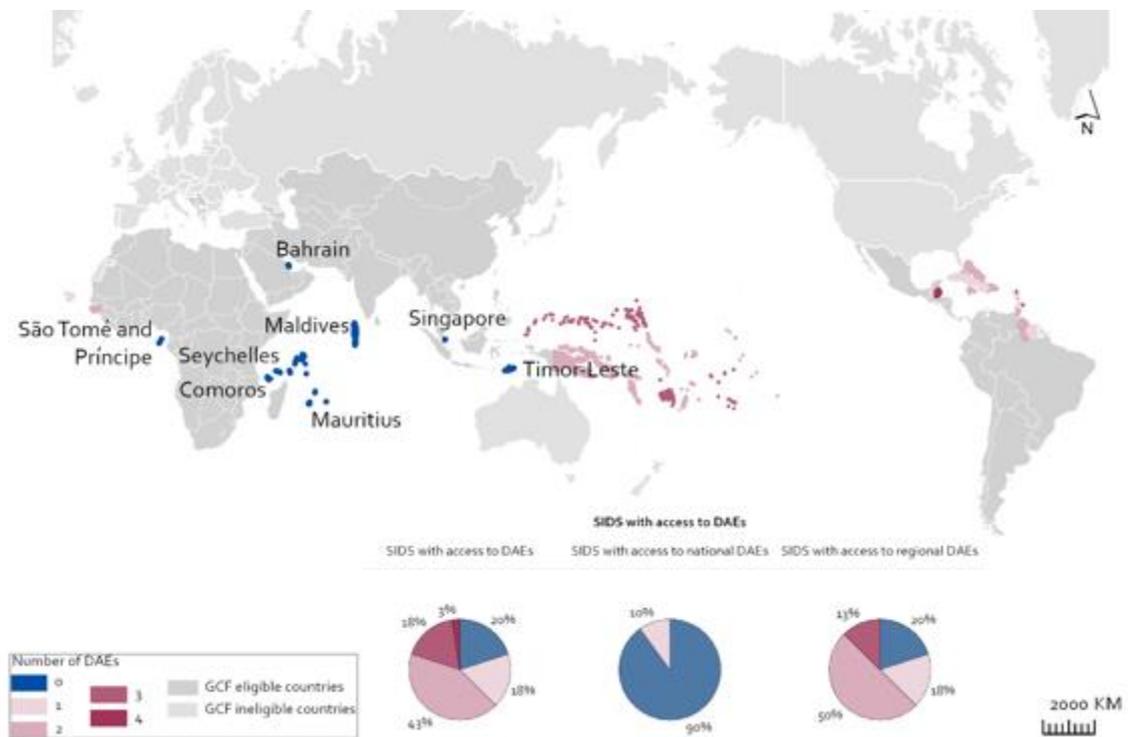


Figure A - 28. Map of SIDS with access to DAEs

Source: For accreditation data: accreditation application data. For country boundaries: the Database of Global Administrative Areas, as of 12 March 2020, analysed by the IEU DataLab.

Note: Only SIDS with no direct access entity are labelled. There may be rounding errors.

Table A - 9. Percentage of programmes by entity modality

PROJECT CATEGORY	ENTITY MODALITY	NUMBER OF PROGRAMMES	NUMBER OF PROJECTS	TOTAL
SIDS (25)	International	2 (10%)	18 (90%)	20 (100%)
	National	0 (0%)	3 (100%)	3 (100%)
	Regional	0 (0%)	2 (100%)	2 (100%)
Mixed (4)	International	1 (50%)	1 (50%)	2 (100%)
	Regional	2 (100%)	0 (0%)	2 (100%)
Non-SIDS (114)	International	18 (20%)	73 (80%)	91 (100%)
	National	4 (25%)	12 (75%)	16 (100%)
	Regional	6 (86%)	1 (14%)	7 (100%)

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

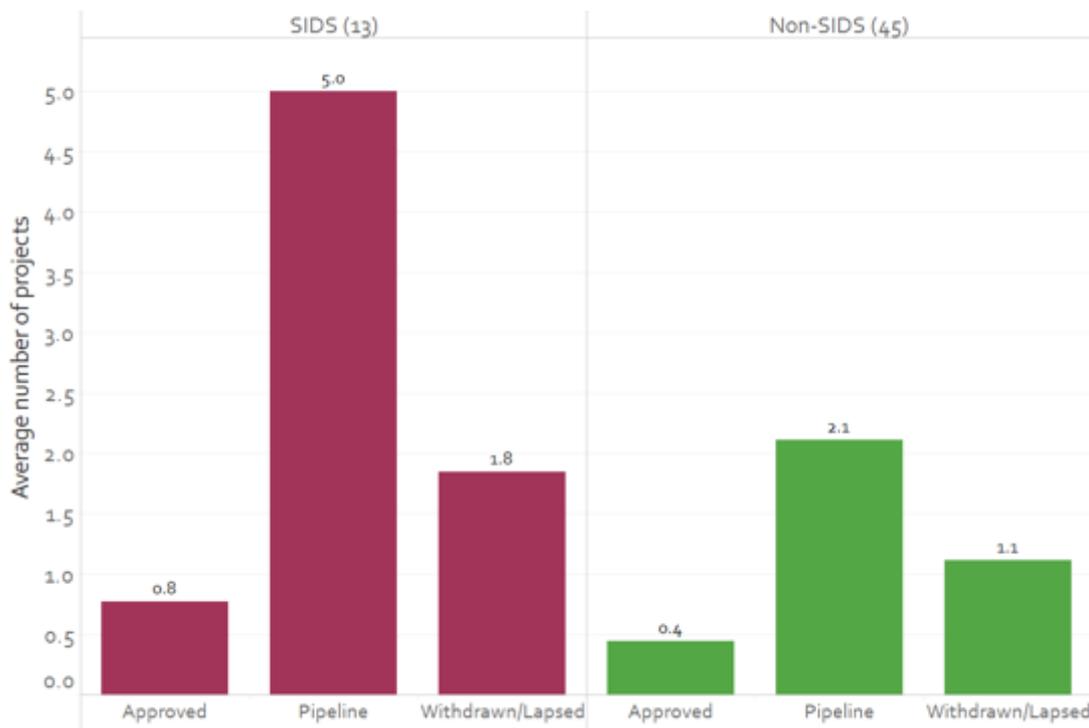


Figure A - 29. Average approved, pipeline and withdrawn/lapsed projects for DAEs

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of direct access entities.

	Grants	Equity	Loans	Guarantee
AIS	BOAD	●	●	●
	OSS	●		
Caribbean	CABEL	●	●	●
	CAF	●	●	●
	CCCCC	●		
	CDB	●	●	●
	DOE Antigua and Barbuda	●		●
	PACT	●		
	MCT	●		
Pacific	SPC	●		
	SPREP	●		
	FDB		●	●
	MFEM Cook Islands	●		

Figure A - 30. Accredited financial instruments for DAEs covering SIDS

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab.

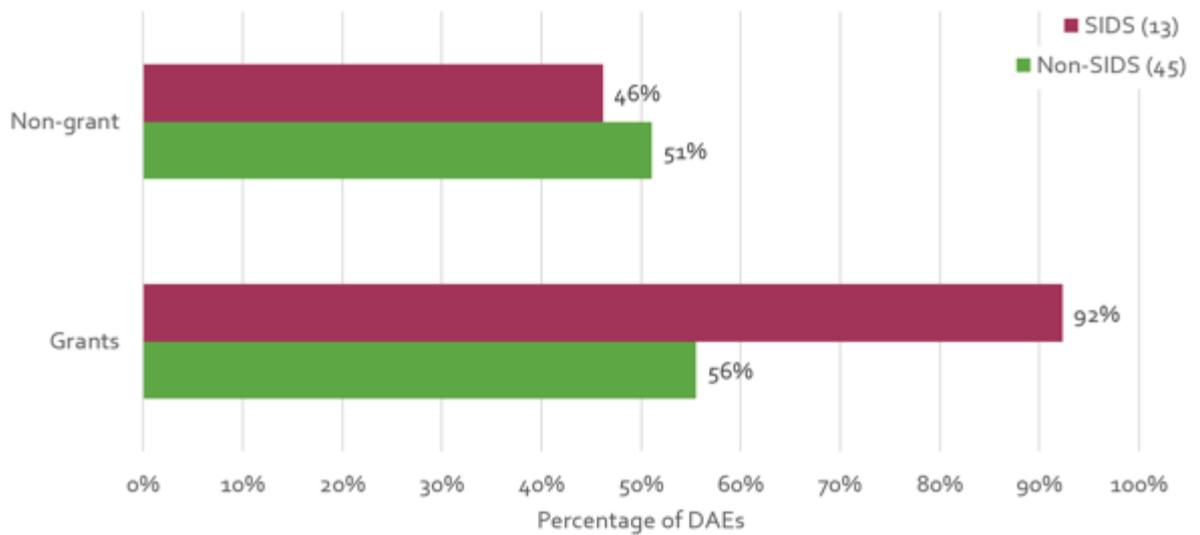


Figure A - 31. Percentage of DAEs accredited for grants and non-grant financial instruments

Source: Accreditation application data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of direct access entities.

Table A - 10. Breakdown of RPSP grants delivered and approved/pipeline projects for regional DAEs in SIDS

REGIONAL ACCREDITED ENTITIES	NUMBER OF APPROVED RPSP GRANTS	NUMBER OF APPROVED/PIPELINE PROJECTS
BOAD	0	2
CABEI	1	2
CAF	6	0
CCCCC	13	8
CDB	3	8
MCT	0	1
OSS	4	1
SPC	3	6
SPREP	5	6

Source: For RPSP data: Fluxx RPSP data. For project data: iPMS project data, as of 31 July 2020, analysed by the IEU DataLab.

E. CHAPTER V

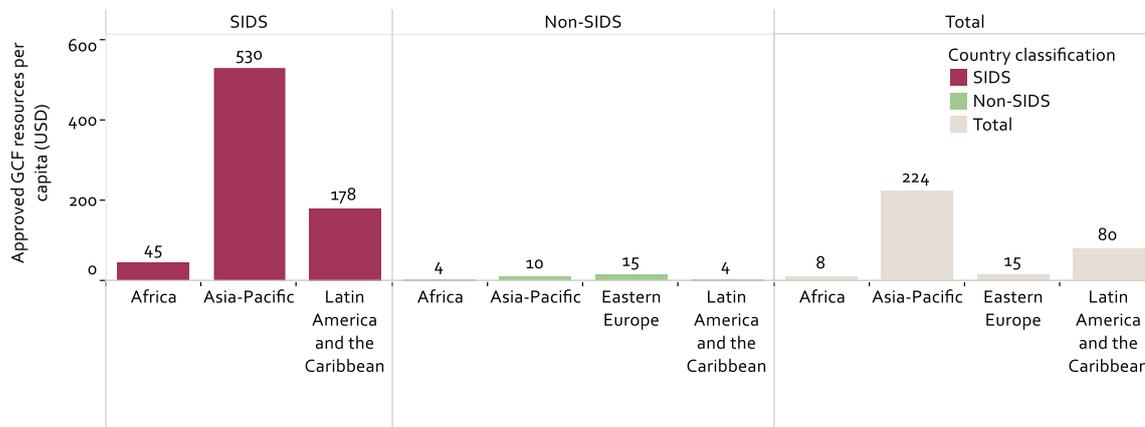


Figure A - 32. Approved GCF resources per capita and by region

Source: World Bank population data (2018) and GCF Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Analysis does not include the Cook Islands.

Table A - 11. Co-financing ratio in SIDS between the climate funds

CO-FINANCING RATIO IN SIDS BETWEEN THE CLIMATE FUNDS			
Fund	Fund-approved amount (USD million)	Co-financing (USD million)	Co-financing ratio
AF	151.7	0.0	0.0
CIF	419.8	1053	2.5
GCF	758.1	1221.4	1.6
GEF	1213.9	5588.9	4.6

Source: For Adaptation Fund data: AF website (2020); for Climate Investment Funds data: CIF website (2020); for GCF data: GCF Tableau Server (2020); for Global Environmental Facility data (2020): GEF website, as of 31 July 2020, analysed by the IEU DataLab.



Figure A - 33. Types of co-financers by percentage of committed funding volume

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of countries. Adding the same-coloured bars horizontally across the panel totals 100 per cent. There may be rounding errors.

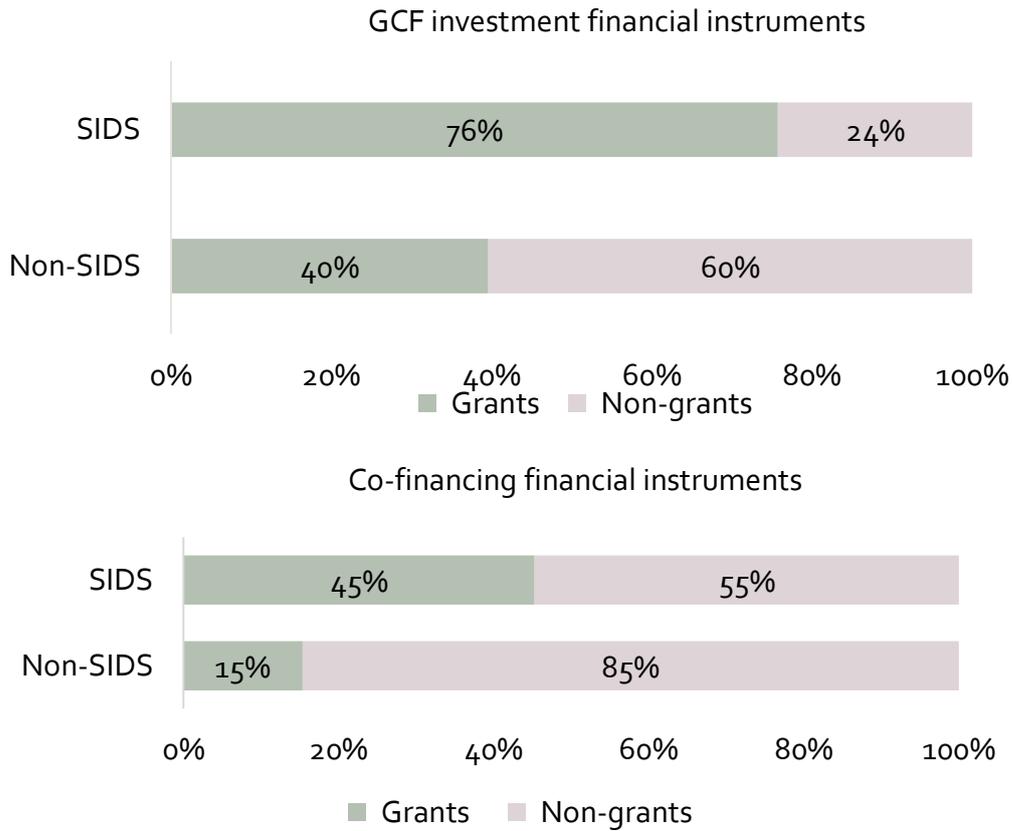


Figure A - 34. GCF investment and co-financing by financial instrument, for SIDS and non-SIDS

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Non-grant instruments include guarantees, reimbursable grants, results-based payments, senior loans, subordinated loans, equity and undefined financial instruments. Grants include grants and in-kind financing. There may be rounding errors.

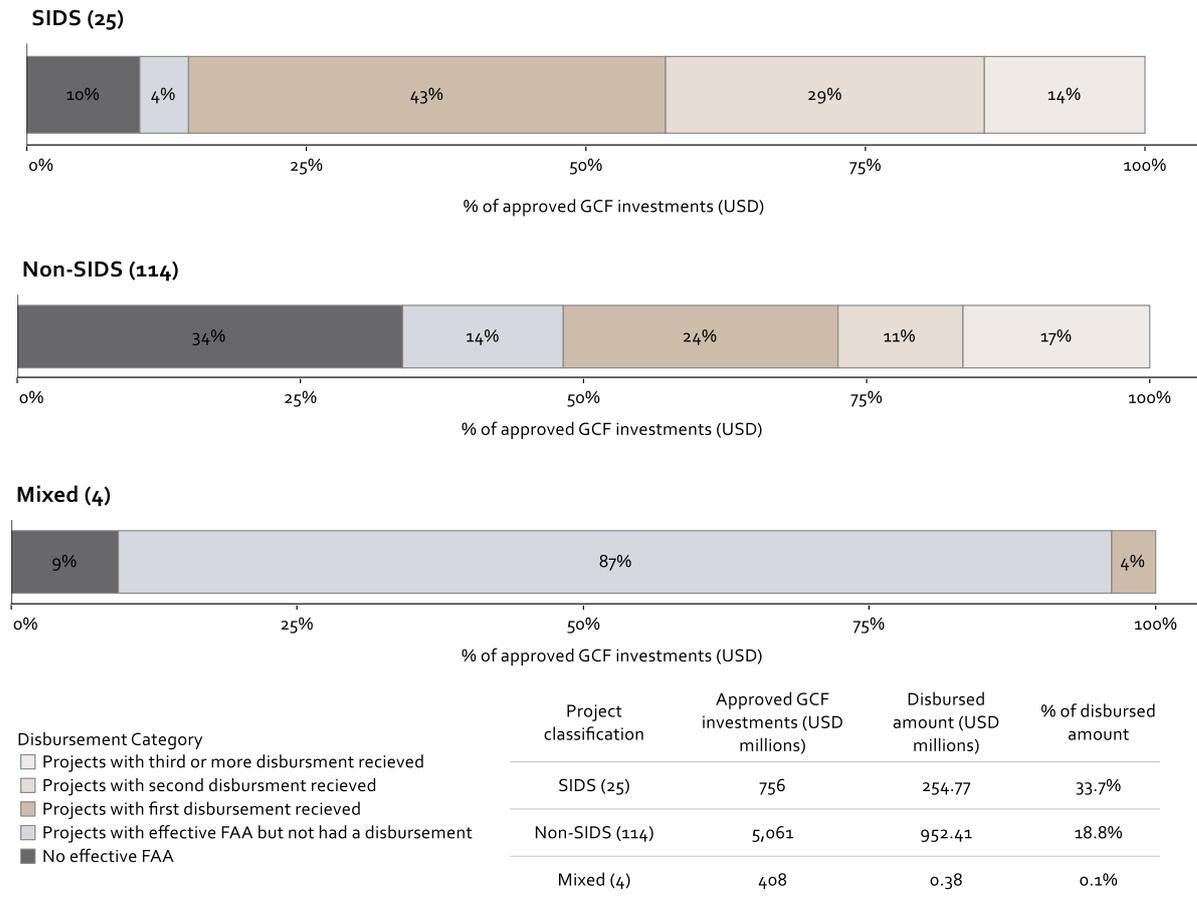


Figure A - 35. Distribution of disbursed resources for SIDS and non-SIDS

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of projects. There may be rounding errors.

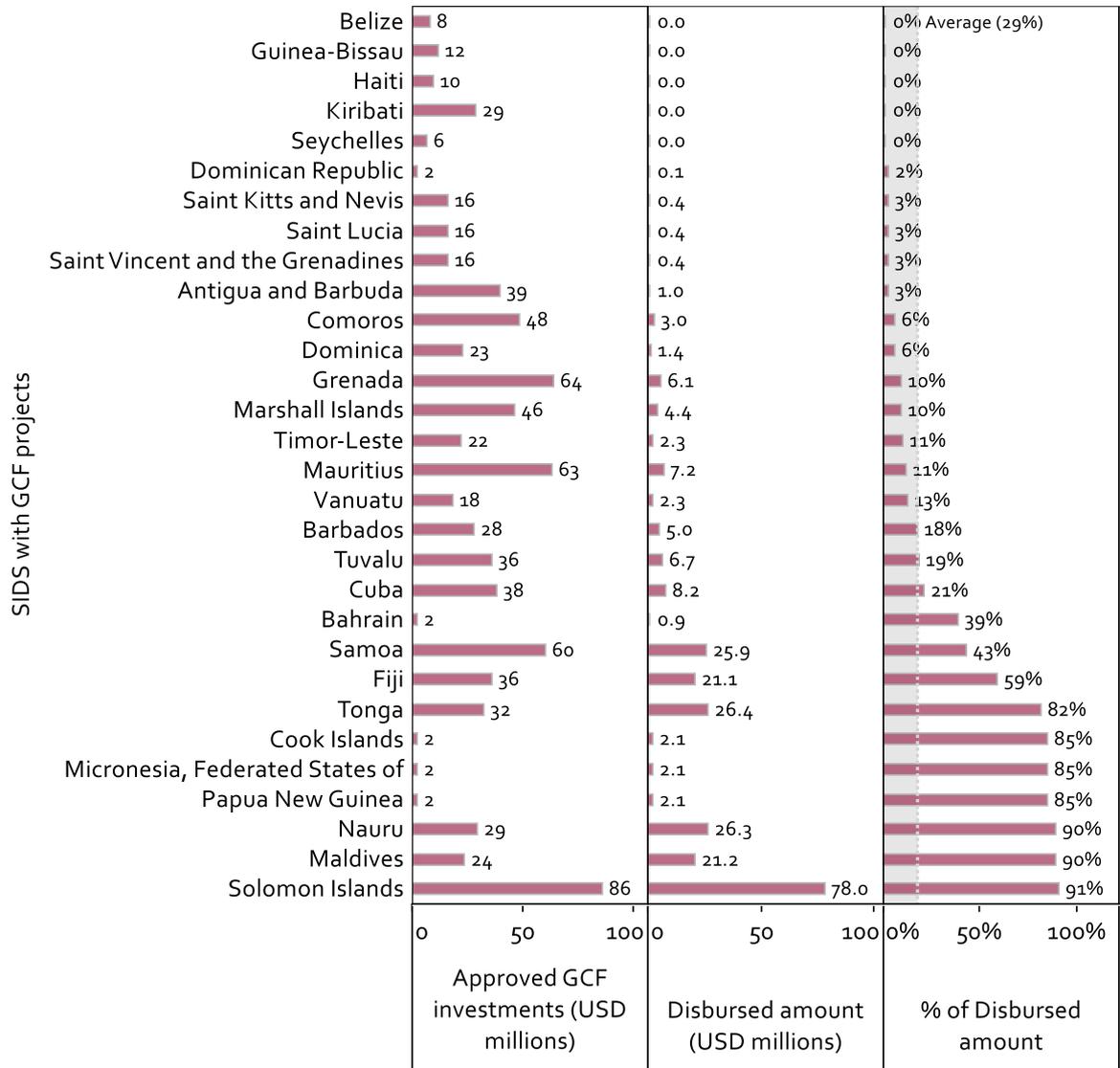


Figure A - 36. Total approved and disbursed GCF resources for SIDS

Source: Finance Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

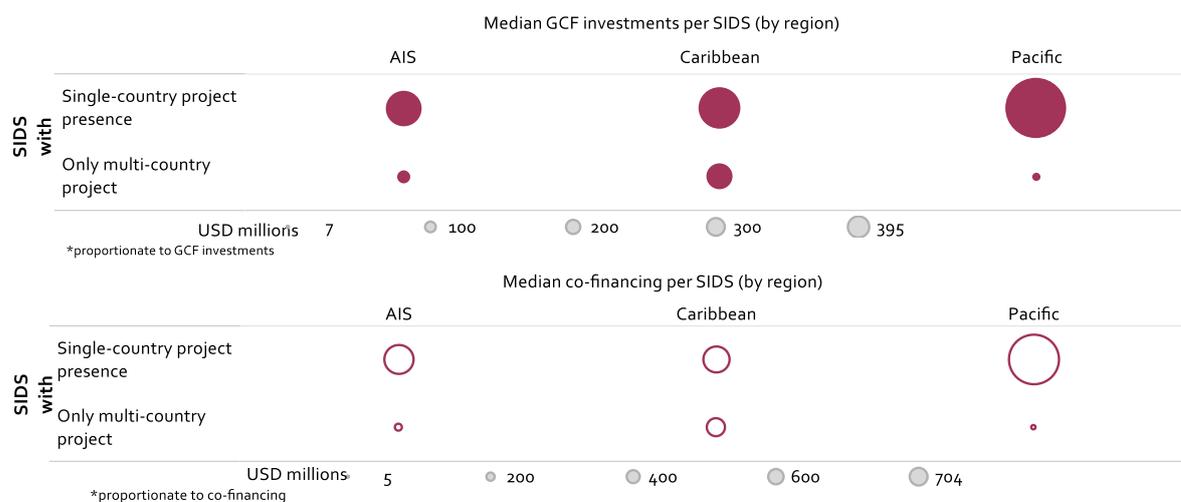


Figure A - 37. Median GCF investments / co-financing in SIDS with only multi-country project versus median GCF investments / co-financing in SIDS with single-country project presence.

Source: Finance Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Table A - 12. List of SIDS with only multi-country GCF projects

SIDS WITH ONLY MULTI-COUNTRY PROJECTS	NUMBER OF APPROVED PROJECTS	CO-FINANCING COMMITMENTS (USD M)	GCF INVESTMENTS (USD M)
Cook Islands	1	2	2
Dominica	2	23	23
Dominican Republic (the)	1	2	2
Guinea-Bissau	1	12	12
Micronesia (Federated States of)	1	2	2
Papua New Guinea	1	2	2
Saint Kitts and Nevis	1	22	16
Saint Lucia	1	22	16
Saint Vincent and the Grenadines	1	22	16
Seychelles	1	2	6

Source: Finance Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

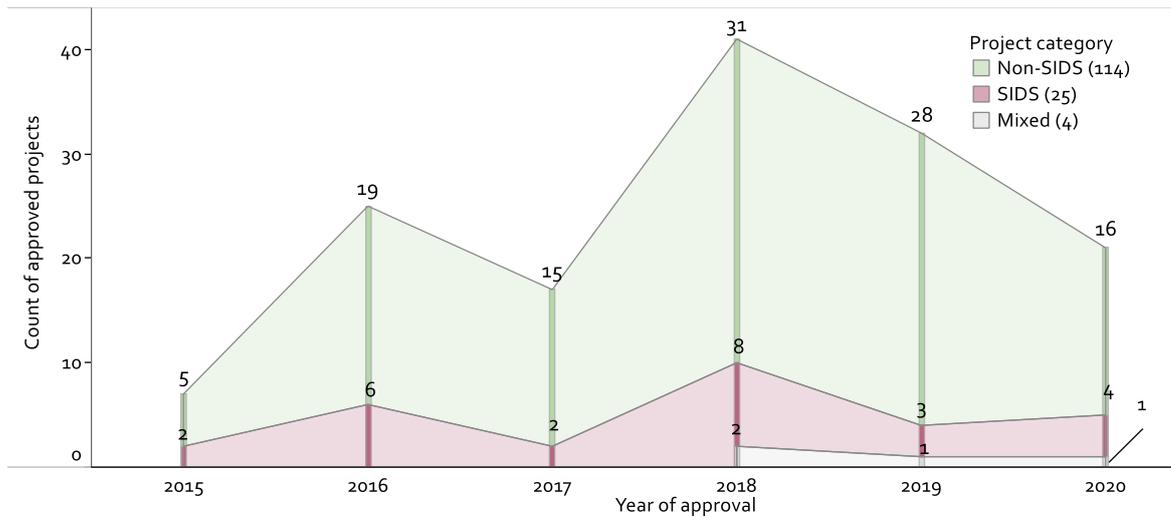


Figure A - 38. Count of approved projects by year

Source: Finance Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of projects.

Table A - 13. Approved and pipeline PAP and SAP projects

		PAP		SAP	
		%	Count	%	Count
SIDS	Approved	88%	22	12%	3
	Pipeline	69%	45	31%	20
Non-SIDS	Approved	89%	101	11%	13
	Pipeline	79%	275	21%	73
Mixed	Approved	100%	4	0%	0
	Pipeline	100%	11	0%	0

Source: Tableau Server iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

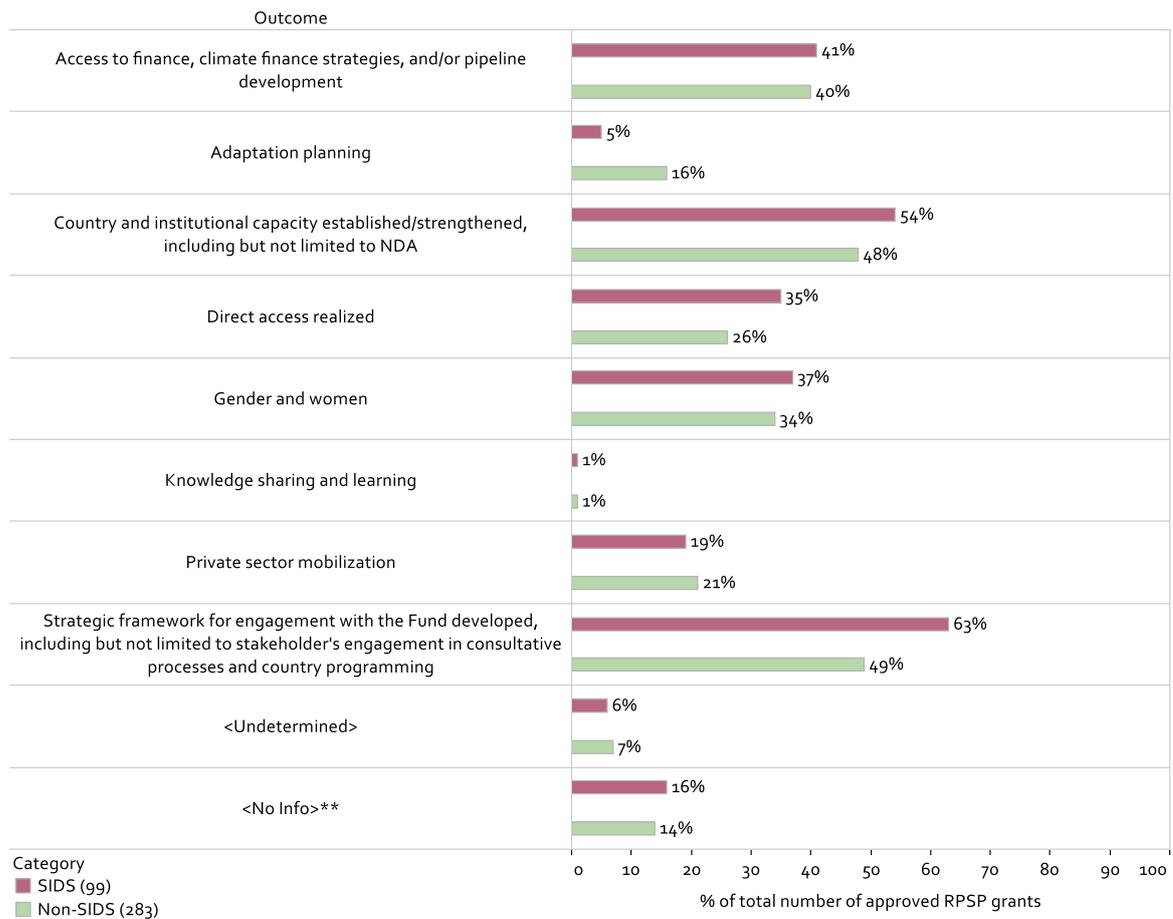


Figure A - 39. Percentage of RPSP grants by outcome

Source: Fluxx RPSP data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There are no RPSP grants that target both SIDS and non-SIDS. Numbers in parentheses denote the number of approved RPSP grants. The outcome categories of RPSP have been determined by the IEU DataLab by looking at the logical framework of RPSP proposals and specific keyword search. <Undetermined> category describes outcomes of RPSP grants that do not fit into rest of the categorical outcome. <No info>** category describes RPSP grants with no available documents. A single RPSP grant can have multiple outcomes.

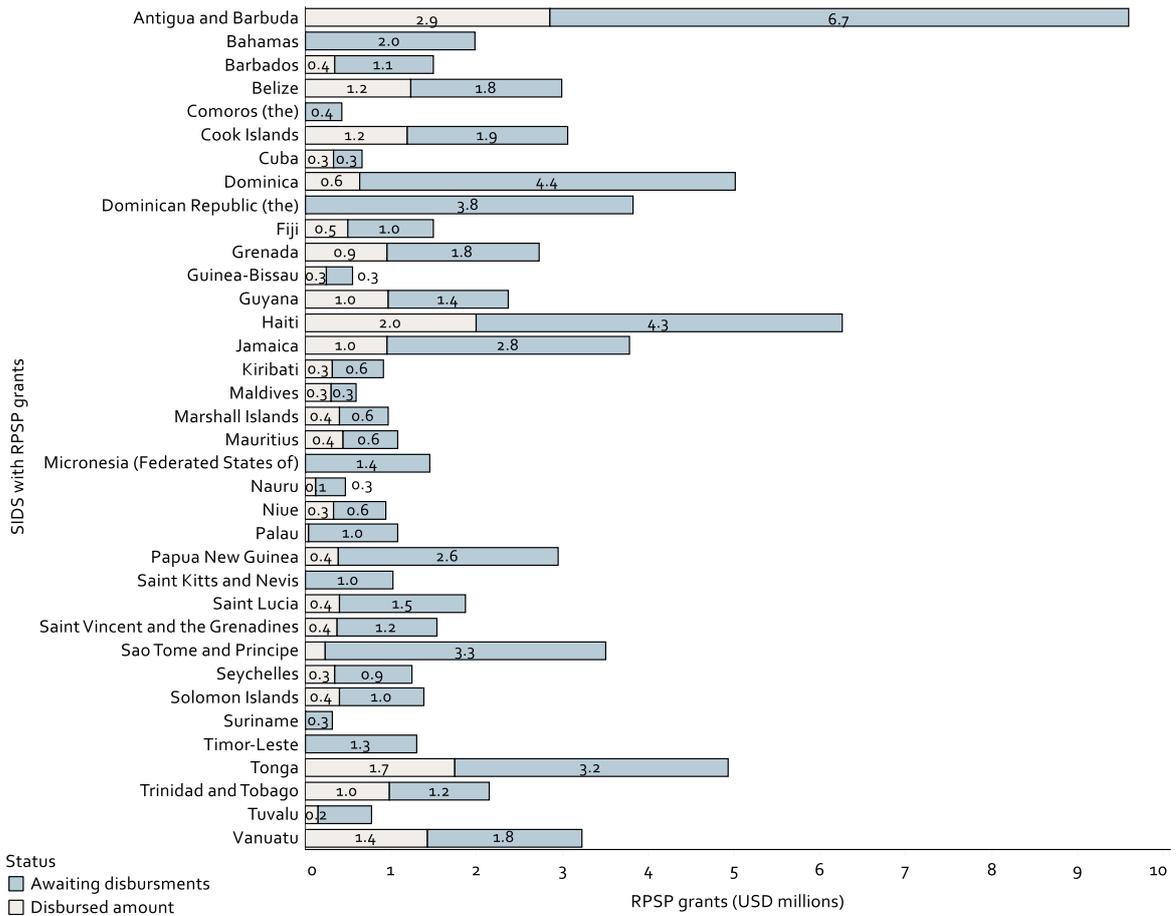


Figure A - 40. RPSF funding approved and disbursed to individual SIDS

Source: Fluxx RPSF data, as of 31 July 2020, analysed by the IEU DataLab.

Note: “Awaiting disbursements” represents additional finance that has been approved but not yet disbursed.

Table A - 14. Pipelines in SIDS country programmes

SIDS WITH COUNTRY PROGRAMME	TIMOR-LESTE	GUYANA	COOK ISLANDS	ANTIGUA AND BARBUDA	TONGA
Prioritization process for developing the pipeline	Yes	Yes	Yes	No	Yes
Projects identified in the pipeline	2	1	0	8	26
Projects identified with IAEs	2	1	0	1	8
Projects identified with accredited DAEs	0	0	0	0	0
Projects identified with not-yet-accredited DAEs	0	0	0	0	0
Projects identified with no accredited entity selected	0	0	0	7	18
Private sector projects identified	0	0	0	NP*	0
Public sector projects with recipient country government co-finance identified	0	0	0	NP*	0

Source: Country programmes, as of 31 July 2020, analysed by the IEU DataLab.

Note: * Indicates pipeline projects were not mentioned within the country programme document.

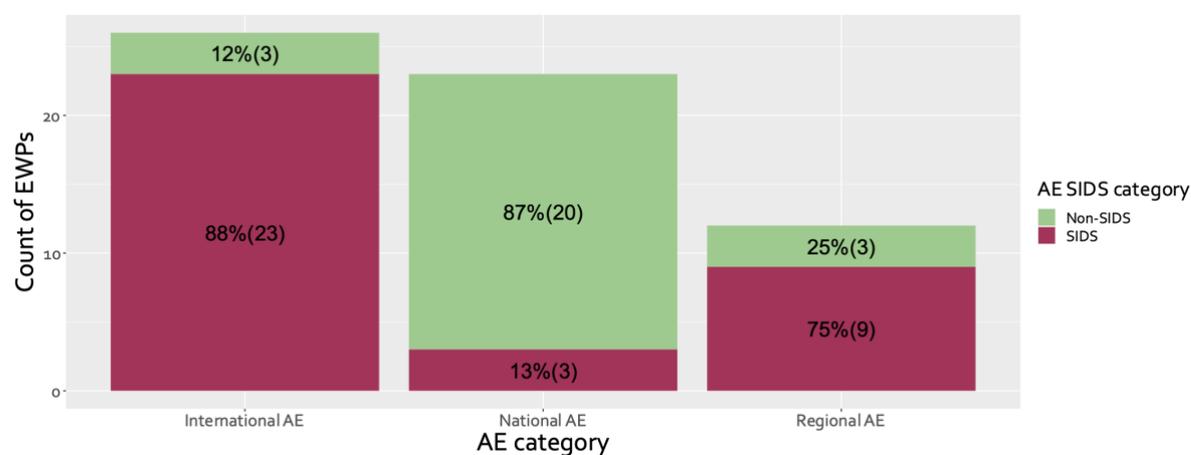


Figure A - 41. Count of entity work plans by accrediting entity

Source: Entity work plan data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

Table A - 15. Project Preparation Facility in SIDS by entity modality

PROJECT PREPARATION FACILITY IN SIDS							
ENTITY MODALITY		DISBURSED	CONCEPT NOTE CLEARED	CONCEPT NOTE REVIEW	INACTIVE	WITHDRAWN	TOTAL
International Access Entity	International	2 (22%)	0 (0%)	2 (22%)	5 (56%)	0 (0%)	9 (100%)
	National	0 (0%)	1 (33%)	1 (33%)	1 (33%)	0 (0%)	3 (100%)
Direct Access Entity	Regional	2 (18%)	4 (36%)	2 (18%)	2 (18%)	1 (9%)	11 (100%)

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

Table A - 16. Pipeline for SIDS in the Project Preparation Facility

PROJECT CATEGORY	DISBURSED	CONCEPT NOTE CLEARED	CONCEPT NOTE REVIEW	INACTIVE	WITHDRAWN	TOTAL
SIDS	4 (18%)	5 (23%)	4 (18%)	8 (36%)	1 (5%)	22 (100%)
Mixed	0 (0%)	0 (0%)	1 (100%)	0 (0%)	0 (0%)	1 (100%)
Non-SIDS	27 (43%)	3 (5%)	6 (10%)	19 (30%)	8 (13%)	63 (100%)

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

Table A - 17. Percentage of AE fee out of total disbursement

PROJECT CATEGORY	ENTITY MODALITY	NUMBER OF PROJECTS WITH DISBURSEMENT	DISBURSED AMOUNT (USD MILLION)	PERCENTAGE OF AE FEE OUT OF TOTAL DISBURSEMENT
SIDS (25)	International	16	0.4	6%
	National	1	780	9%
	Regional	2	125	9%
Mixed (4)	Regional	1	48	4%
Non-SIDS (114)	International	44	244	5%
	National	14	3	6%
	Regional	3	7	2%

Source: For entity modality data: Tableau Server Data. For disbursement and AE fee data: iPMS data, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of approved projects.

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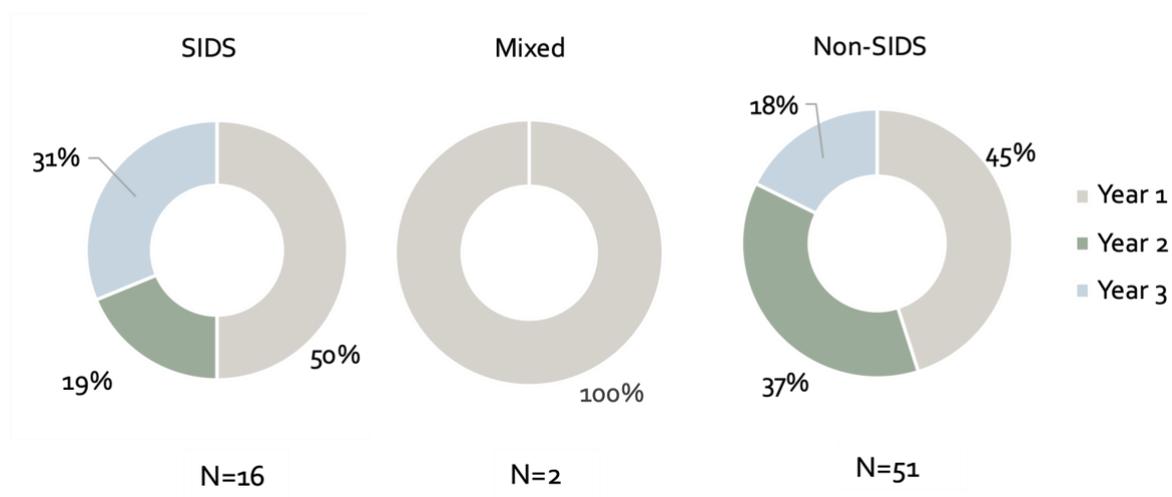


Figure A - 42. Number of projects with APRs across the years of implementation

Source: Annual performance report data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

Table A - 18. Accredited entity self-reported impact potential stated in SIDS' funding proposals and reported in APRs, cumulative for years 1, 2 and 3

KEY IMPACT INDICATORS	FROM FUNDING PROPOSALS (TOTAL EXPECTED)	FROM APRs * (TOTAL REPORTED)
Expected lifetime tons of carbon dioxide eq to be reduced (GtCO ₂ eq)	91.6	Not reported
Expected total number of direct beneficiaries (people)	1,680,405	2,485**
Expected total number of indirect beneficiaries (people)	4,472,319	
Megawatts of low-emission energy capacity installed, generated or rehabilitated (MW)	139	3
Hectares of land or forest areas under improved management or benefiting from reduced salinization (ha)	37,258	Not reported

Source: Impact funding proposals and annual performance review data sets, as of 31 July 2020, analysed by the IEU DataLab.

Note: * Of the 29 approved proposals in SIDS, 16 have submitted at least one APR, but few impacts have yet been reported.

** Reported as total number of beneficiaries (direct and indirect).

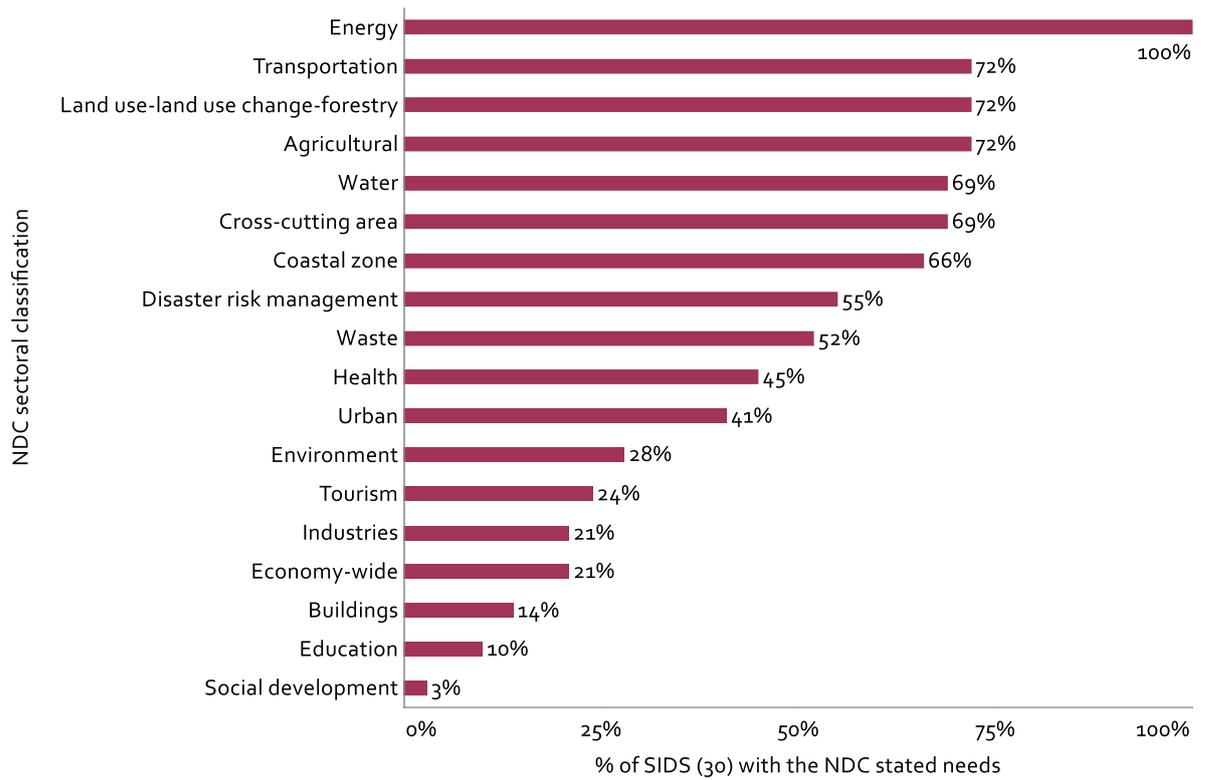


Figure A - 43. NDC sectoral classifications with GCF-eligible SIDS with a project

Source: Nationally Determined Contribution Partnership (2019) data set, as of 31 July 2020, analysed by the IEU DataLab.

Note: Data only cover 30 out of 40 GCF-eligible SIDS with a GCF project. Numbers in parentheses denote the number of GCF-eligible SIDS included in the graph.

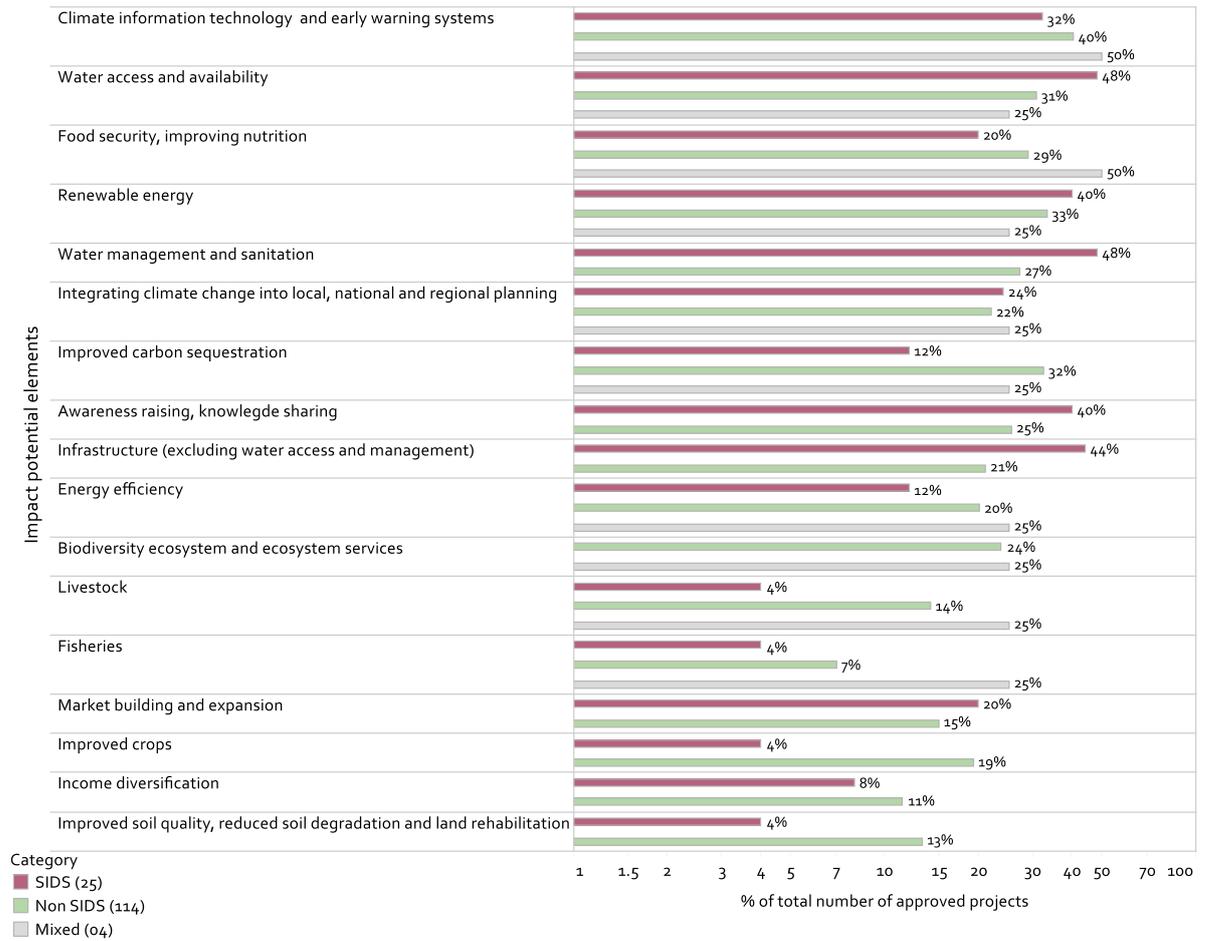


Figure A - 44. Impact potential elements by project category

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

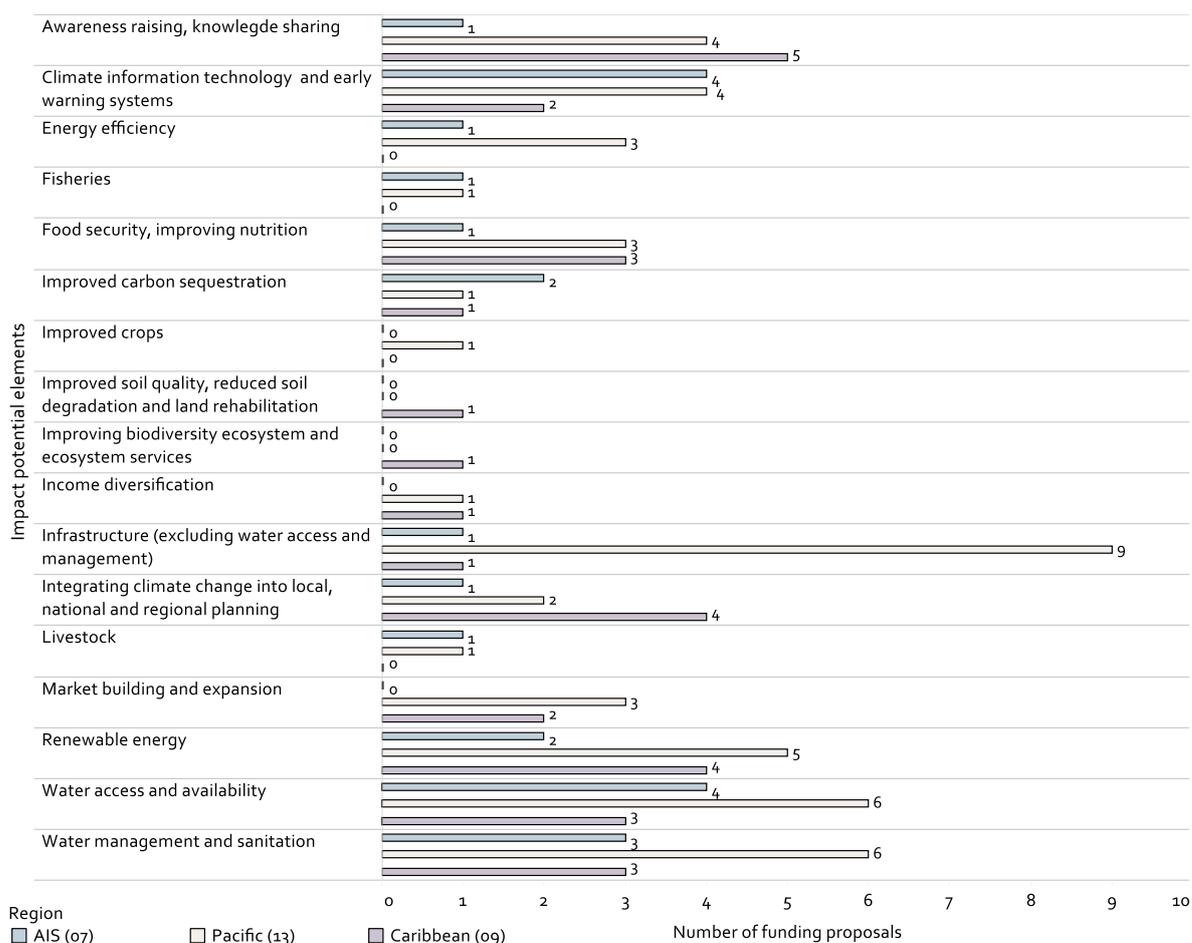


Figure A - 45. Impact potential elements by SIDS region

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

Table A - 19. Number of SIDS with the eight result areas

RESULT AREA	NUMBER OF SIDS WITH GCF PROJECTS (30)	% OF SIDS (30) WITH THE RESULT AREA
Buildings, cities, industries and appliances	2	7%
Energy access and power generation	18	60%
Forestry and land use	2	7%
Low-emission transport	1	3%
Ecosystems and ecosystem services	14	47%
Health and well-being, and food and water security	13	43%
Infrastructure built environment	20	67%
Livelihoods of most vulnerable people and communities	25	83%

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

INDEPENDENT EVALUATION OF THE RELEVANCE AND EFFECTIVENESS OF THE GREEN CLIMATE FUND'S INVESTMENTS IN SMALL ISLAND DEVELOPING STATES
Final report - Annex 5

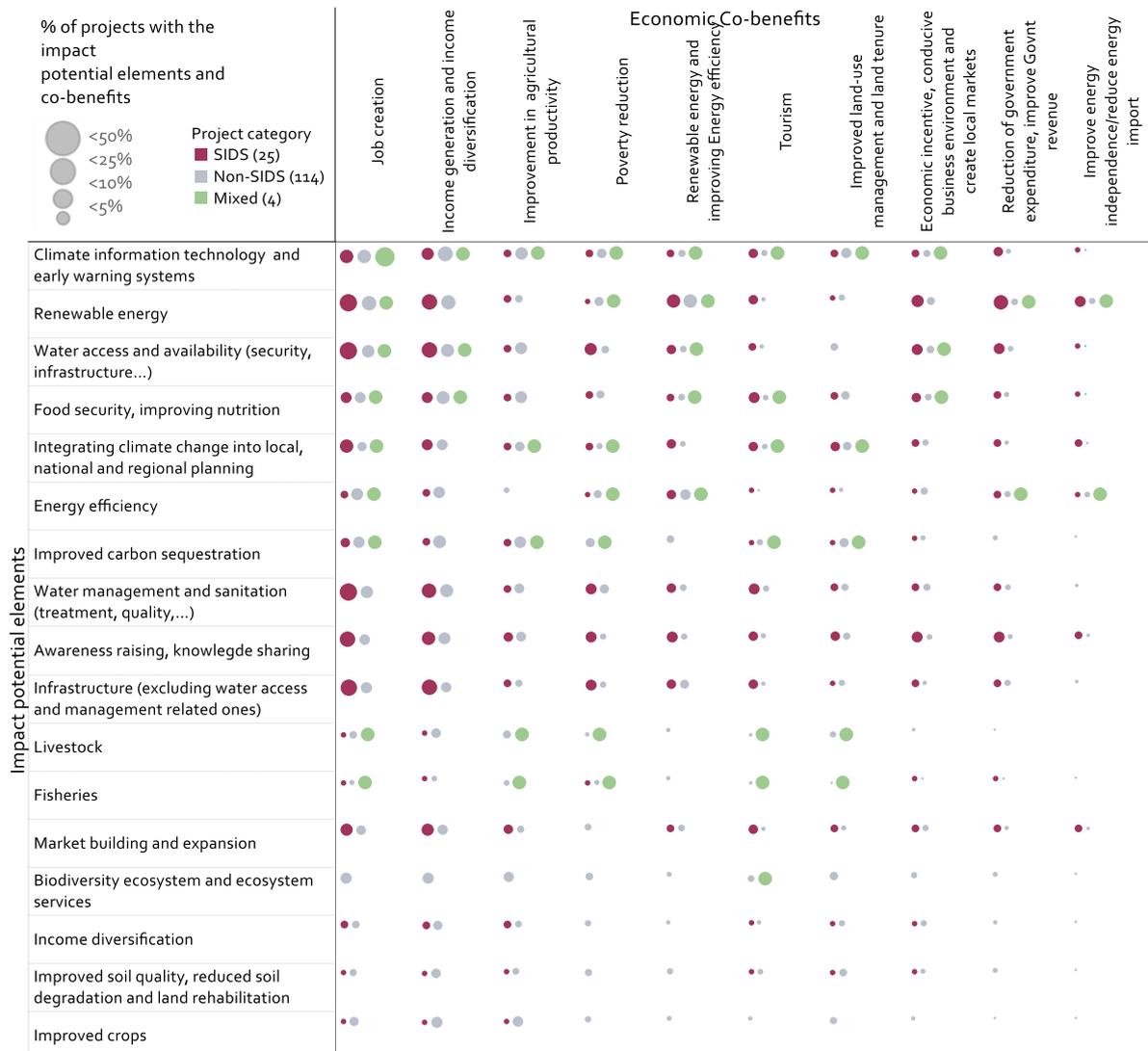


Figure A - 46. Impact potential elements and economic co-benefits of SIDS projects

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.



Figure A - 47. Impact potential elements and social co-benefits of SIDS projects

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

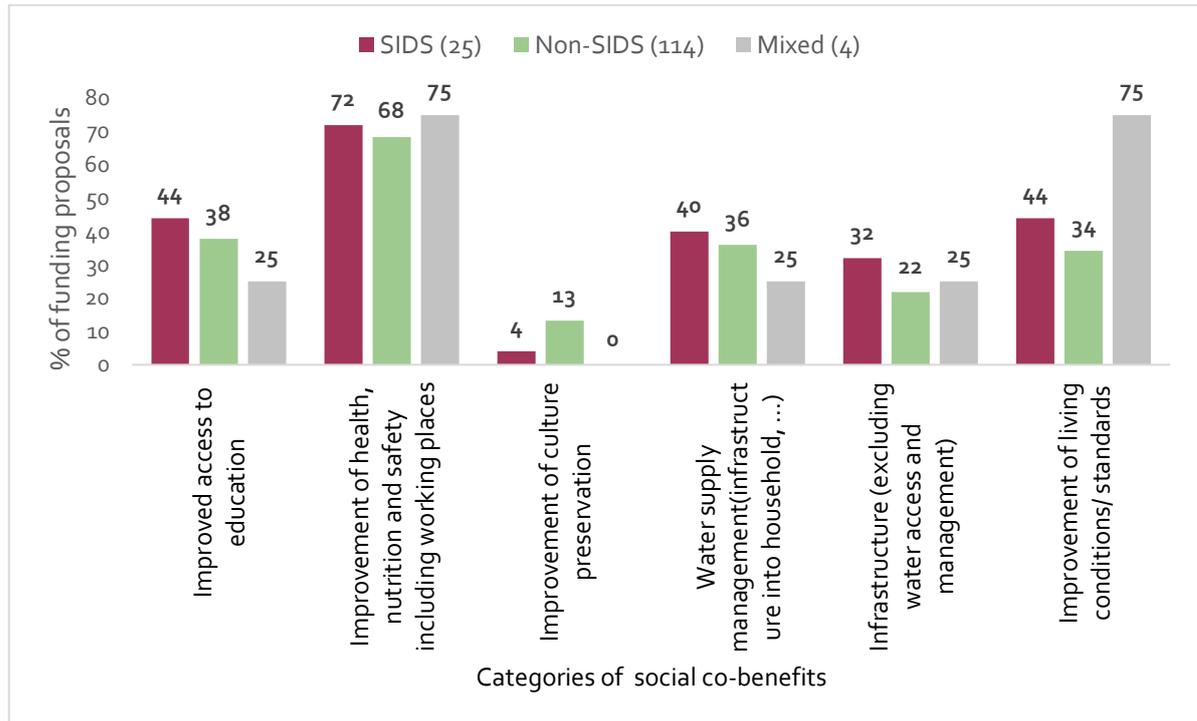


Figure A - 48. Percentage of funding proposals with social co-benefits

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

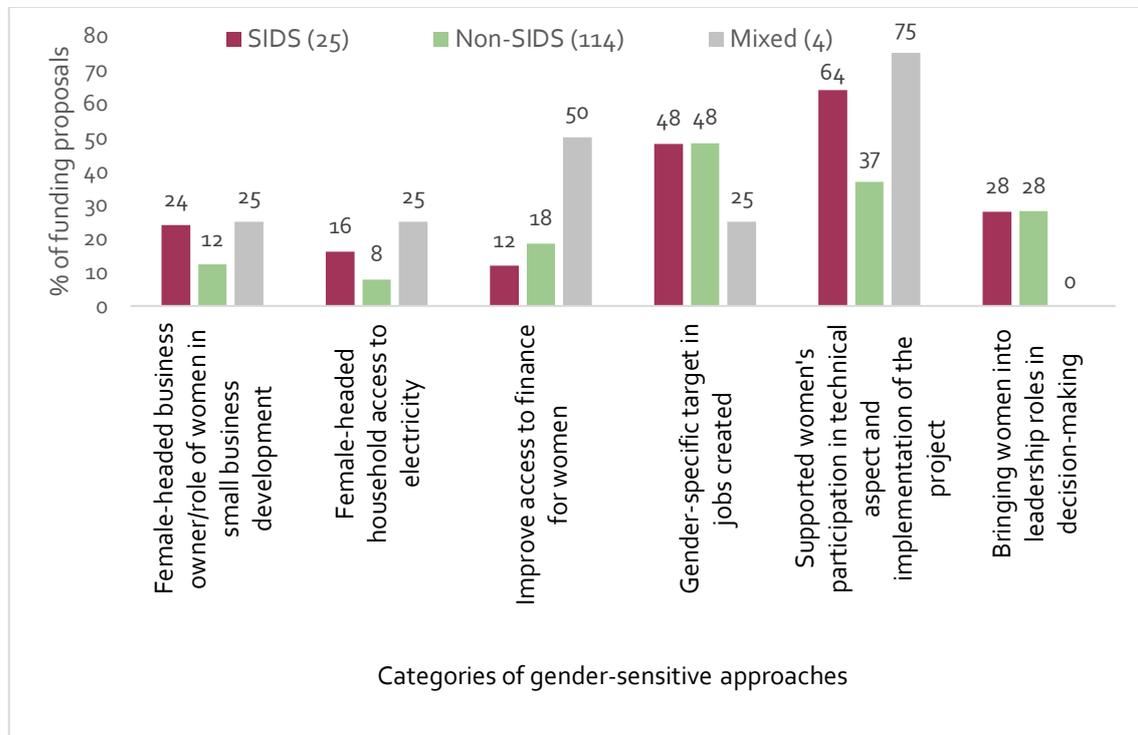


Figure A - 49. Percentage of funding proposals with gender-sensitive approaches

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals.

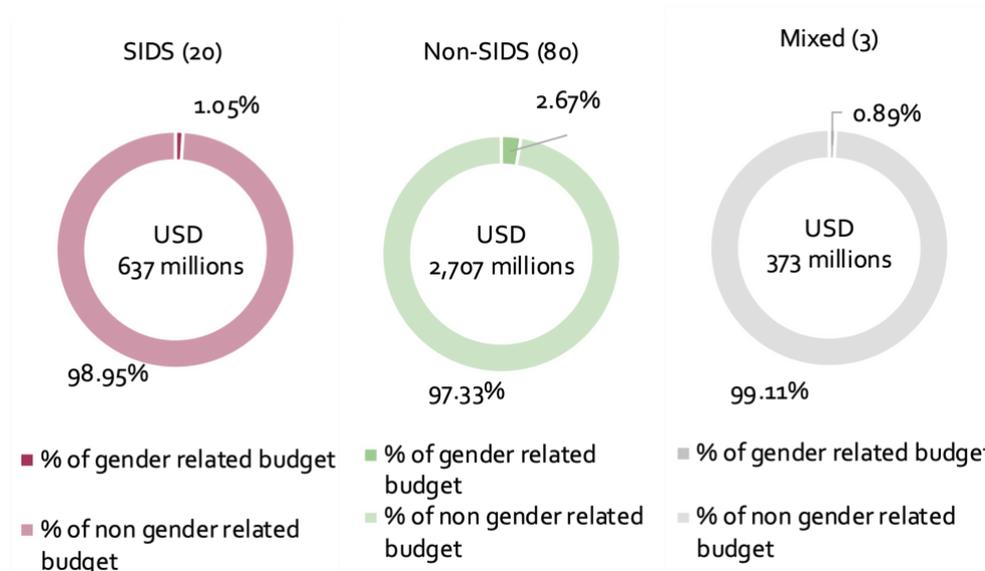


Figure A - 50. Percentage of total budget dedicated towards gender-related activities

Source: Funded activity agreements, as of 31 July 2020, analysed by the IEU DataLab.

Note: * The analysis is populated with 103 FAAs; FAAs missing the budget description are omitted from this analysis. The total amount in this analysis therefore does not aggregate to the total approved amount of GCF investments for each project category.

** Calculation was based on word search for “gender” or “woman” in budget breakdown section of FAA. Thus, this analysis may omit gender activities that did not mention these keywords.

Numbers in parentheses describe the number of FAAs. Note: There may be rounding errors.

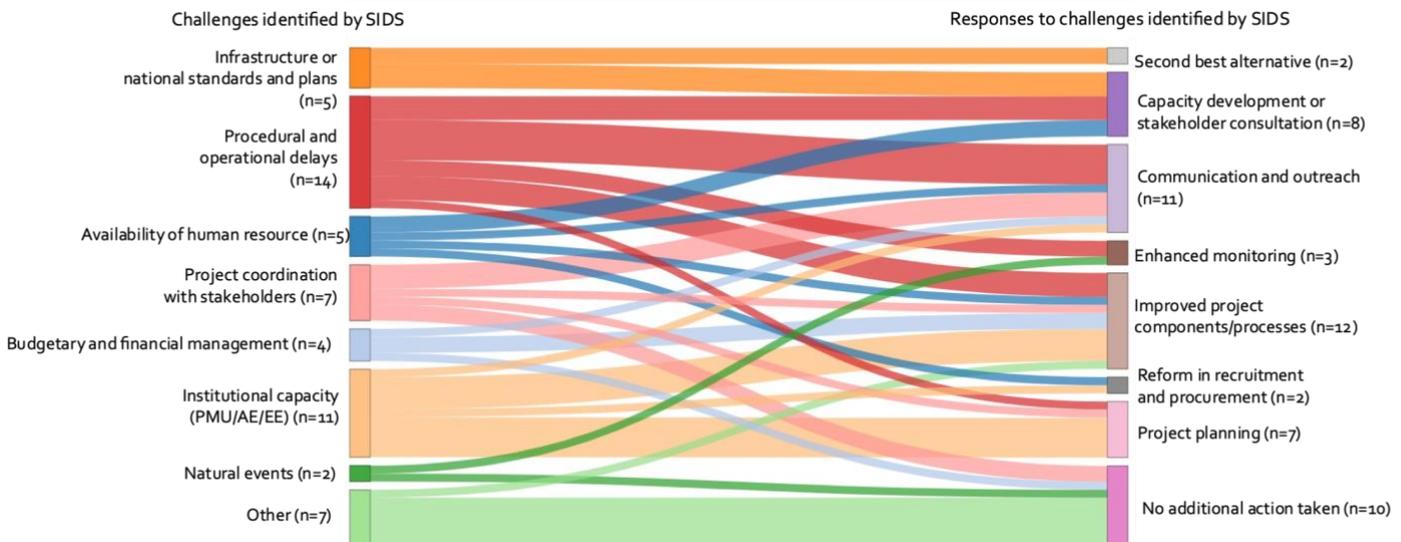


Figure A - 51. Reporting of challenges and responses in the APRs

Source: Annual performance reports, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses describe the number of annual performance reviews. There are 16 SIDS APRs and 2 mixed APRs (APRs with both SIDS and non-SIDS). This analysis only looks at 16 APRs with SIDS only. An APR can have multiple challenges and multiple responses to a challenge and challenges.

Table A - 20. Regional multi-country projects vs. single-country stakeholder consultation during funding proposal development

STAKEHOLDER CONSULTATION	SIDS (25)				MIXED (4)	
	Single-country (22)		Multi-country (3)		Multi-country (4)	
	N	%	N	%	N	%
Project design/preparation	22	100	2	67	4	100
NDA	8	36	1	33	1	25
Central/national/federal government	14	64	1	33	2	50
Provincial/regional/state	9	41	0	0	2	50
CSOs/NGOs/international non-governmental organizations (INGOs)	8	36	0	0	3	75
PSOs	4	18	0	0	2	50
Local communities	12	55	1	33	2	50
Women's groups	5	23	1	33	1	25
Academia	3	14	0	0	1	25
Project implementation	12	55	1	33	4	100

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals. There may be rounding errors.

Table A - 21. Multi- vs. single-country APR stakeholder consultation

PROJECT CATEGORY	COUNTRY COVERAGE	NGOs AND ACADEMIC INSTITUTIONS		CSOs AND PSOs		LOCAL COMMUNITIES OR INDIGENOUS PEOPLES		TOTAL NUMBER OF APPROVED PROJECTS	
		N	%	N	%	N	%	N	%
SIDS	Single country	3	23%	1	8%	2	15%	13	100%
	Multi-country	0	0%	1	33%	0	0%	3	100%
Mixed	Multi-country	0	0%	0	0%	0	0%	2	100%

Source: Annual performance reports, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

Table A - 22. Adaptation versus mitigation projects – design process consultations with key stakeholder groups

STAKEHOLDER CONSULTATION	SIDS (25)					
	Adaptation (14)		Mitigation (4)		Cross-cutting (7)	
	N	%	N	%	N	%
Project design/preparation	11	79	3	75	7	100
NDA	3	21	1	25	4	57
Central/national/federal government	7	50	1	25	6	86

STAKEHOLDER CONSULTATION	SIDS (25)					
	Adaptation (14)		Mitigation (4)		Cross-cutting (7)	
	N	%	N	%	N	%
Provincial/regional/state	4	29	1	25	2	29
CSOs/NGOs/INGOs	7	50	0	0	2	29
PSOs	1	7	0	0	3	43
Local communities	6	43	1	25	5	71
Women's groups	3	21	1	25	3	43
Academia	2	14	0	0	1	14
Project implementation	8	57	3	75	5	71

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of approved projects' funding proposals.

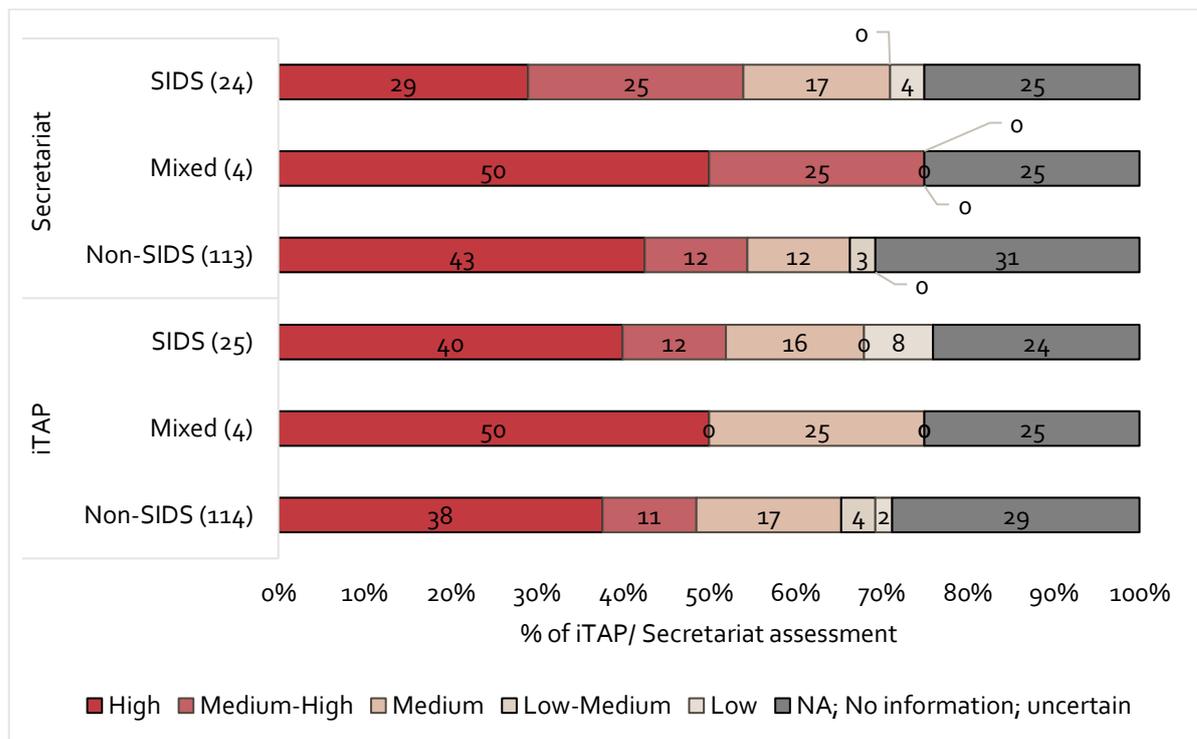


Figure A - 52. Paradigm shift potential ratings from Secretariat assessments and independent Technical Assessment Panel

Source: Independent Technical Assessment Panel and Secretariat assessments, as of 31 July 2020, analysed by the IEU DataLab.

Note: Two Secretariat assessment documents were not available and thus were excluded from the analysis. Numbers in parentheses denote the number of iTAP/Secretariat assessments. Only assessments of currently active approved projects as of 31 July 2020 were included in the analysis. There may be rounding errors.

Table A - 23. Stakeholder engagement in SIDS regions

CATEGORY	STAKEHOLDER ENGAGEMENT					
	NDA	Government (including ministries, departments and agencies)	NGOs and academic institutions	CSOs and PSOs	International partners	Local communities or indigenous peoples
AIS (5)	1 (20%)	3 (60%)	2 (40%)	1 (20%)	1 (20%)	1 (20%)
Caribbean (4)	1 (25%)	0 (0%)	1 (25%)	0 (0%)	0 (0%)	0 (0%)
Pacific (9)	0 (0%)	3 (33%)	0 (0%)	1 (11%)	0 (0%)	1 (11%)

Source: Annual performance reports, as of 31 July 2020, analysed by the IEU DataLab.

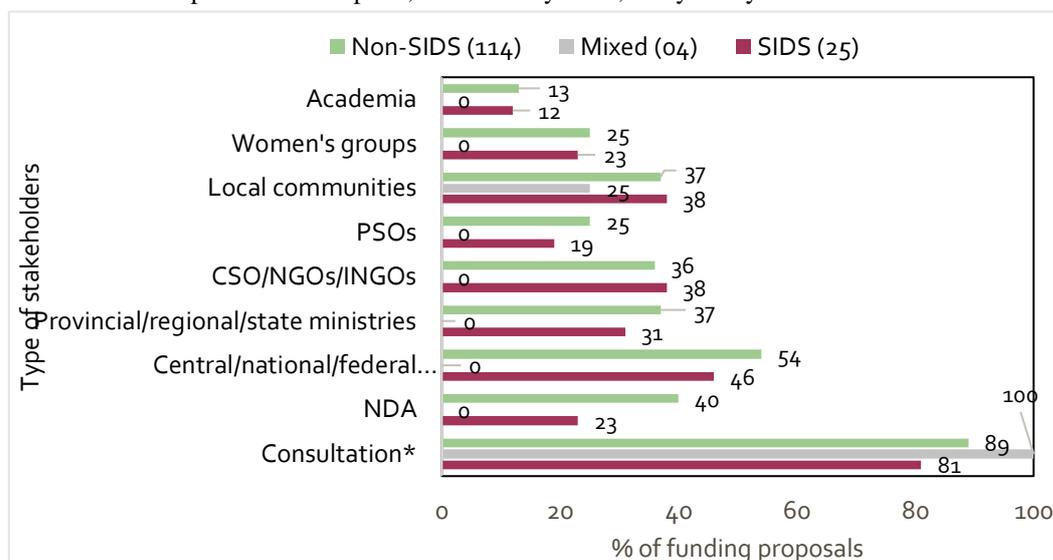


Figure A - 53. Stakeholder consultation during funding proposal development

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: Numbers in parentheses denote the number of funding proposals. Consultation* refers to consultation during project design/preparation phase.

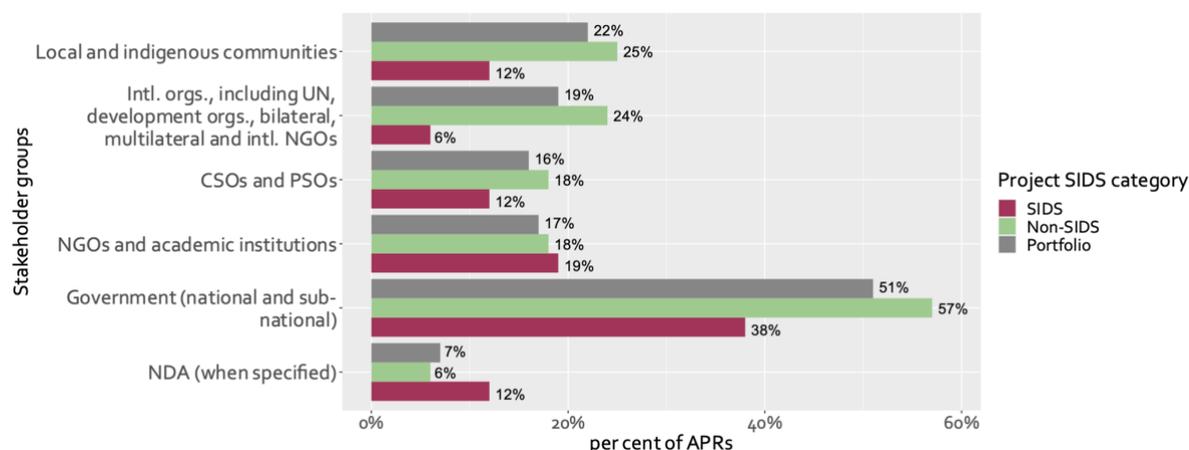


Figure A - 54. Stakeholder engagement over the 2019 reporting period as reported in APRs

Source: Annual performance reports, as of 31 July 2020, analysed by the IEU DataLab.

Note: There are 16 SIDS projects with APRs, 51 non-SIDS projects with APRs and 2 mixed projects with APRs. No challenges were reported in the mixed category of projects.

Expanded explanation of advice for a GCF programmatic approach

Table A - 24. Examples of opportunities for upscaling of non-GCF projects

COUNTRY	PROJECT UPSCALED
Federated States of Micronesia	A key informant explained intentions to scale up an Adaptation Fund project focused on fisheries management as an adaptation strategy.
Kiribati	The NDA, AE and GCF Secretariat are discussing the potential to upscale an Adaptation Fund water security project on three outer islands to another 11 islands, with GCF funding.
Republic of the Marshall Islands	FP112, which aims to provide water security to all 25 inhabited outer islands, emerged from evaluating and learning lessons from a project funded by the Ministry of Foreign Affairs and Trade of New Zealand that covered three outer islands.
Cook Islands	A key informant explained they are designing an EDA project based on two past Adaptation Fund projects, as well as past microprojects from other donors that feed into it.
Jamaica	A key informant explained some projects emanating from the CIF-funded PPCR are yielding “some exceptional results that we could automatically take and scale up” with GCF funding.
Belize	The project titled Resilient Rural Belize, builds on two projects previously implemented by the International Fund for Agricultural Development (IFAD) and FAO in the country. Among the CNs for Belize in the GCF pipeline, at least one regional and one national project report that they build on prior pilot or “proof of concept” efforts, including for coral restoration and for climate-smart practices for sugar cane farmers.

Source: Country case studies, Annex 4.

Innovation

Table A - 25. Rubric for assessing innovativeness at design

DIMENSION	TYPOLGY
Type	Technology, product or service
	Process, social or policy
	Business model or financial instrument/structure
Scale	Central to the project design
	Peripheral to the project design
Context	Macro: New to the world or region
	Micro: New to the country or institution
Intensity	Incremental (e.g. an improvement within a given frame of solutions)
	Radical (e.g. dissimilar from both prior and current interventions)
	Disruptive (e.g. substantially alters a system or market, or changes the country’s risk profile)

Source: Developed by the evaluation team based on review of academic and grey literature on conceptual frameworks, definitions and classifications of innovation, including Grazzi, Sasso, and Kemp, 2019; Hopp, Antons, Kaminski, and Salge, 2018; Kobagayev and Maziliauskas, 2017; and Huesig, 2014.

Table A - 26. Number of iTAP and Secretariat assessments that mention of innovations

SOURCE	NUMBER OF PROJECTS (28)
iTAP assessment	17 (61%)
Secretariat assessment	19 (68%)
iTAP assessment / Secretariat assessment	25 (89%)

Source: Independent Technical Assessment Panel and Secretariat assessments, as of 31 July 2020, analysed by the IEU DataLab.

Note: One Secretariat assessment and one iTAP document were not available and thus were excluded from the analysis. Parentheses indicate the number of approved projects.

Table A - 27. Summary of results of AE self-assessments of innovation in their SIDS projects

	COUNT PER ALL INNOVATION INSTANCES	PERCENTAGE OF ALL INNOVATION INSTANCES*	COUNT PER PROJECT SAMPLE (N=14)	PERCENTAGE PER PROJECT SAMPLE **
Dimension 1: TYPE	33	100%	14	
<i>Technology, product or service</i>	18	55%	12	86%
<i>Process, social aspect or policy</i>	10	30%	7	50%
<i>Business model or financial instrument/ structure</i>	5	15%	4	29%
Dimension 2: SCALE	33	100%	14	
<i>Macro</i>	4	12%	4	29%
<i>Micro</i>	29	88%	12	86%
Dimension 3: CONTEXT	32	100%	14	
<i>Central</i>	20	63%	11	79%
<i>Peripheral</i>	12	38%	6	43%
Dimension 4: INTENSITY	31	100%	14	
<i>Incremental</i>	13	42%	8	57%
<i>Radical</i>	9	29%	6	43%
<i>Disruptive</i>	9	29%	4	29%

Source: AE innovation self-assessments, analysed by the evaluation team.

Note: * Percentage of all innovation instances excludes non-responses from the denominator.

** Percentage per project sample does not add up to 100 per cent in each category because some projects contain multiple innovations, and therefore have a response in more than one response option.

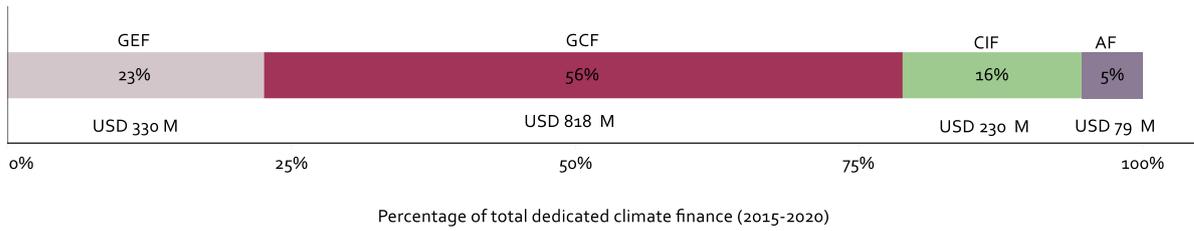


Figure A - 55. Percentage of dedicated climate finance per climate fund, from 2015 to 2020

Source: For Global Environmental Facility data: GEF website (2020). For Climate Investment Funds data: CIF website (2020). For Adaptation Fund data: Adaptation Fund website (2020). For GCF-approved amounts, Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: There may be rounding errors.

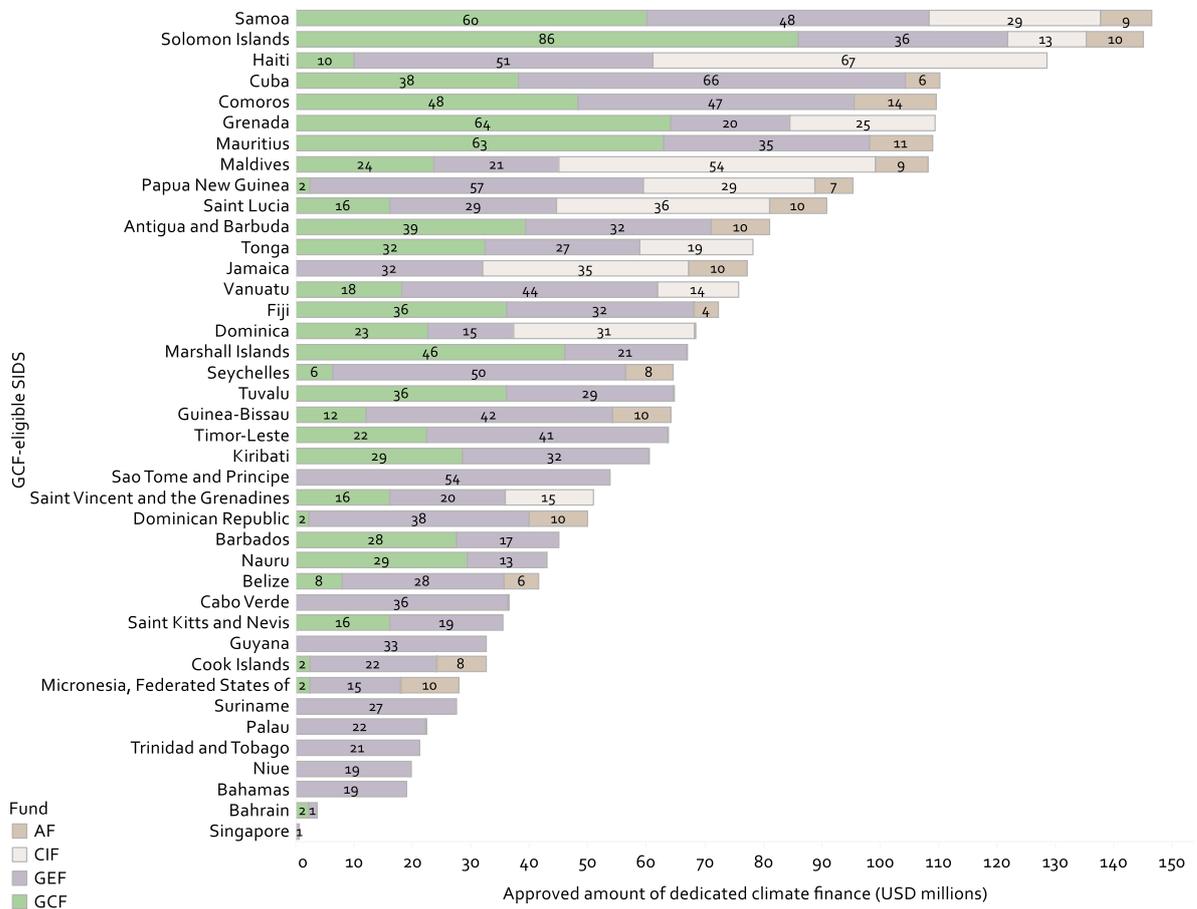


Figure A - 56. Total value of projects per climate fund per SIDS, from 2005 to 2020

Source: For Global Environmental Facility data: GEF website (2020). For Climate Investment Funds data: CIF website (2020). For Adaptation Fund data: Adaptation Fund website (2020). For GCF-approved amounts, Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Table A - 28. Summary table of climate fund projects

CLIMATE FUND	TOTAL SIDS PROJECTS	NUMBER OF PROJECTS APPROVED ON AVERAGE PER YEAR	TOTAL SIDS (USD MILLION) – EXCLUDING CO-FINANCING	TOTAL SIDS (USD MILLION) – ONLY CO-FINANCING	TOTAL SIDS (USD MILLION) – FUND’S INVESTMENTS + CO-FINANCING	TOTAL # SIDS COUNTRIES COVERED	NUMBER OF PROJECTS PER SIDS DURING TIME OF FUND’S OPERATION	NUMBER OF APPROVED PROJECTS PER SIDS EACH YEAR	OPERATION COVERAGE (YEARS)
GEF	471	31	1,214	5,589	6,803	40	12	0.79	2005 to 2020
CIF	36	4	420	1,053	1,473	21	2	0.19	2011 to 2020
AF	27	3	152	0	152	19	1	0.14	2010 to 2020
GCF	29	6	818	1,248	2,066	30	1	0.19	2015 to 2020
Total	563	38	2,603	7,890	10,493	40	14	0.94	2005 to 2020

Source: For Global Environmental Facility data: GEF website (2020). For CIF data: Climate Investment Funds website (2020). For Adaptation Fund data: Adaptation Fund website (2020). For GCF-approved amounts, Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Cosine analysis of climate fund complementarity

Table A - 29. Cosine values between climate funds and GCF

COS(X)	
Adaptation Fund – GCF	0.59
Climate Investment Fund – GCF	0.39
Global Environmental Facility – GCF	0.67

Source: For Global Environmental Facility data: GEF website (2020). For Climate Investment Funds data: CIF website (2020). For Adaptation Fund data: Adaptation Fund website (2020). For GCF-approved amounts, Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

G. CHAPTER VII

Table A - 30. Development partners' total spending during years active in the region

DEVELOPMENT PARTNERS	AMOUNT (USD MILLION)	TEMPORAL COVERAGE	NUMBER OF AVAILABLE YEARS OF DATA	AVERAGE AMOUNT (USD MILLION PER YEAR)
Bilateral development partners	3,776	2005 to 2018	13	290
MDB (AfDB, ADB, AIIB, EBRD, EIB, IDB, WB, Islamic Development Bank)	3,888	2015 to 2019	4	972
Climate Funds	2,603	2005 to 2020	15	174

Source: For MDB data: Joint Report on Multilateral Development Banks' Climate Finance (2019). For bilateral development partners data: OECD (2018). For Global Environmental Facility data: GEF website (2020). For Climate Investment Funds data: CIF website (2020). For Adaptation Fund data: Adaptation Fund website (2020). For GCF-approved amounts, Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Note: The funding should not overlap among the development partners, as only investments directly from the development partners – excluding the co-financing – are considered in this calculation.



Figure A - 57. Approved amount dedicated to climate financing from MDBs per SIDS, between 2015 and 2019

Source: For MDBs data: 2019 Joint Report on Climate Finance (2019), as of 31 July 2020, analysed by the IEU DataLab.

Note: SIDS that are not labelled in the bottom left include Cook Islands (USD 21 million), Saint Vincent and Grenadines (USD 20 million), Timor-Leste (USD 16 million), Grenada (USD 13 million), Mauritius (USD 10 million), Palau (USD 2 million) and Trinidad and Tobago (USD 2 million).

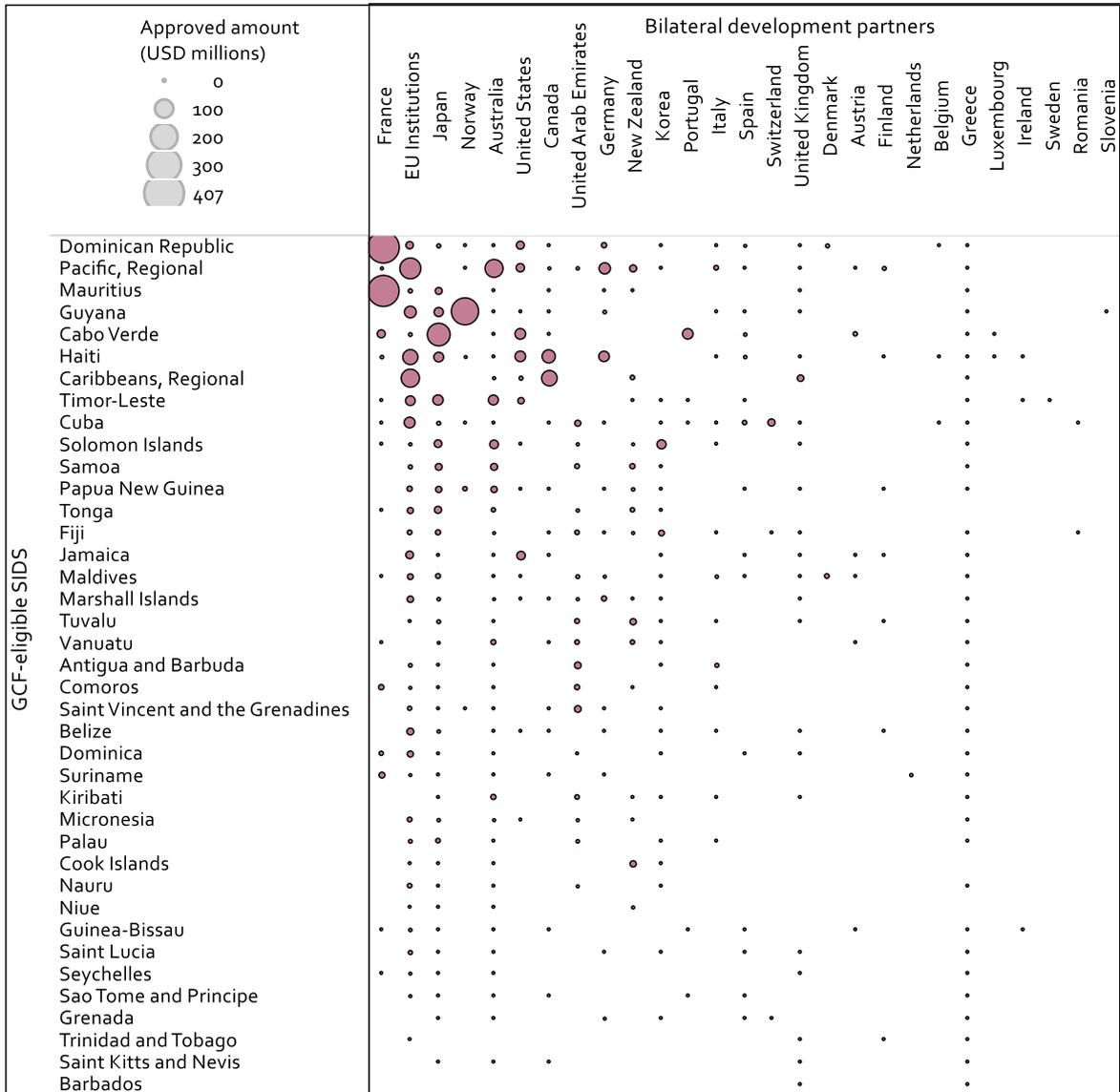


Figure A - 58. Approved amount dedicated to climate financing from bilateral development partners per SIDS, between 2000 and 2018

Source: For bilateral development partners data: OECD (2018), as of 31 July 2020, analysed by the IEU DataLab.

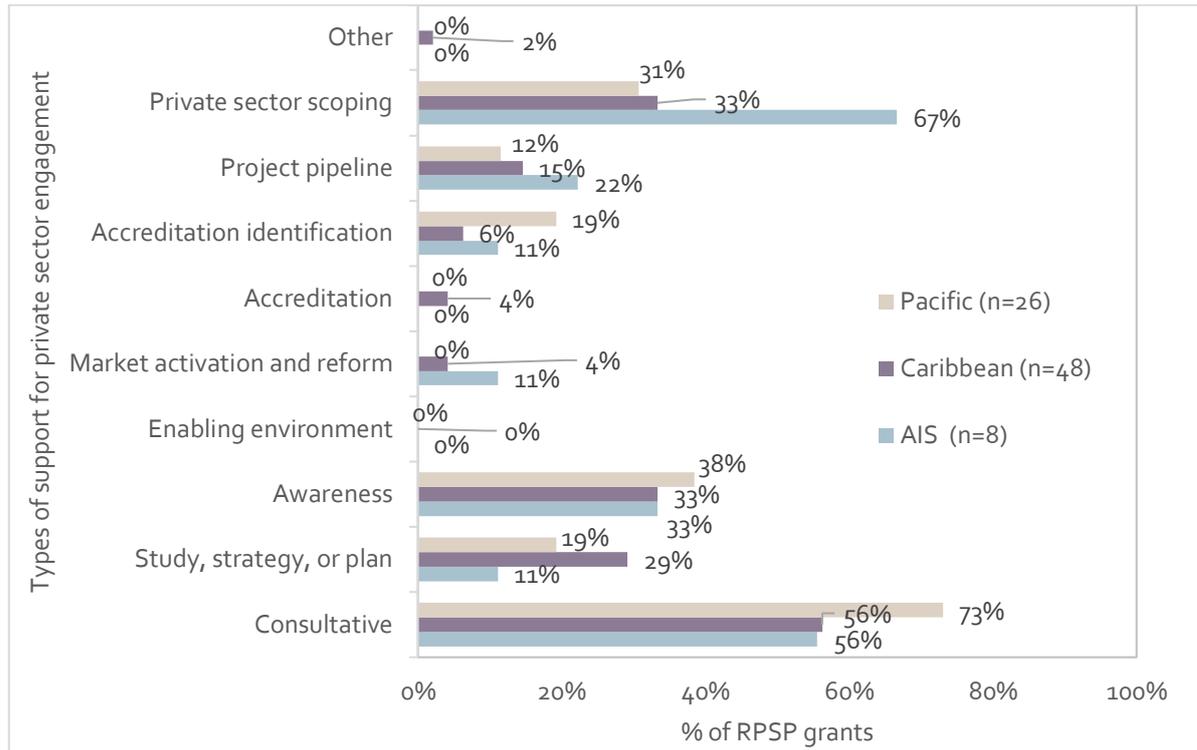


Figure A - 59. Types of support for private sector engagement through RPSP, by SIDS region

Source: RPSP proposals, as of 31 July 2020, analysed by the IEU DataLab.

Note: This analysis excludes 16 SIDS RPSP proposals. These proposals did not have a proposal document or Fluxx RPSP data as of July 2020. There are 99 SIDS RPSP proposals in total. Numbers in parentheses denote the number of RPSP grants.

Table A - 31. Summary table of PSF projects in SIDS

PROJECT CATEGORY	PROJECT NUMBER	GCF-ELIGIBLE SIDS	FINANCIAL INSTRUMENTS BY GCF INVESTMENT	THEME	DISBURSED AMOUNT (USD MILLION)	APPROVED GCF INVESTMENTS (USD MILLION)	TOTAL DISBURSED %	IMPLEMENTATION STATUS	APPROVED YEAR
Mixed	FP095	Mauritius	Grants, senior loans	Cross-cutting	0.0	28	0%	Under implementation	2018
	FP097	Dominican Republic (the)	Grants, senior loans	Adaptation	0.1	2	2%	Under implementation	2018
	FP105	Guinea-Bissau	Grants, senior loans	Mitigation	0.0	12	0%	Under implementation	2019
SIDS	SAP013	Haiti	Grants, subordinated loans	Cross-cutting	0.0	10	0%	Not under implementation	2020
	SAP016	Fiji	Grants, senior loans	Mitigation	0.0	5	0%	Not under implementation	2020

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Table A - 32. Private sector co-financing for SIDS and non-SIDS

DIVISION	COUNTRY CLASSIFICATION	GCF INVESTMENTS (USD MILLION)	CO-FINANCING (USD MILLION)	CO-FINANCING RATIO (CO-FINANCING IN USD MILLION / GCF INVESTMENTS IN USD MILLION)
PSF	SIDS	58	3	0.05
	Non-SIDS	2109	2247	1.07
DMA	SIDS	760	15	0.02
	Non-SIDS	3298	975	0.30

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Table A - 33. Number of projects with different types of financial instruments

PROJECT CLASSIFICATION	NUMBER OF PROJECTS WITH FINANCIAL INSTRUMENTS										
	Source of financing	Equity	Grants	Guarantees	In-kind	Reimbursable grants	Results-based payment	Senior loans	Subordinated loans	Undefined	Total No. of approved projects
SIDS	GCF	0 (0%)	29 (100%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)	7 (24%)	1 (3%)	0 (0%)	29 (100%)
	Co-financing	3 (11%)	24 (86%)	1 (4%)	3 (11%)	1 (4%)	0 (0%)	10 (36%)	0 (0%)	3 (11%)	28 (100%)
Non-SIDS	GCF	6 (5%)	103 (87%)	3 (3%)	0 (0%)	2 (2%)	6 (5%)	34 (29%)	3 (3%)	0 (0%)	118 (100%)
	Co-financing	22 (20%)	84 (76%)	1 (1%)	22 (20%)	1 (1%)	0 (0%)	47 (43%)	7 (6%)	4 (4%)	110 (100%)

Source: Tableau Server data, as of 31 July 2020, analysed by the IEU DataLab.

Table A - 34. Private sector engagement in funding proposals by region

	FP #	TOTAL	PUBLIC			PRIVATE		
			Adaptation	Mitigation	Cross-cutting	Adaptation	Mitigation	Cross-cutting
AIMS		7	4	1	0	0	1	1
Caribbean		9	4	1	2	1	0	1
Pacific		13	7	1	4	0	0	0
Engagement with local financial institutions OR enterprises								
AIMS		5 (71%)	2 (50%)	1 (100%)	NA	NA	1 (100%)	1 (100%)
Caribbean		8 (89%)	3 (75%)	1 (100%)	2 (100%)	1 (100%)	NA	1 (100%)
Pacific		5 (38%)	4 (57%)	0 (0%)	0 (0%)	NA	1 (100%)	NA
Mobilize resources from local financial institutions OR enterprises								
AIMS		4 (57%)	1 (25%)	1 (100%)	NA	NA	1 (100%)	1 (100%)
Caribbean		5 (56%)	3 (75%)	0 (0%)	1 (50%)	1 (100%)	NA	0 (0%)
Pacific		1 (8%)	1 (14%)	0 (0%)	0 (0%)	NA	NA	NA

Source: Funding proposals, as of 31 July 2020, analysed by the IEU DataLab.



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